

1 PRRT 2016-17 Combined Files Energy Assessment Note.pdf

Treasury Board/Management Board of Cabinet Assessment Note

Energy	December 16, 2015

I. Financial Summary

- The Ministry submitted a plan that is within preliminary allocation, excluding allocation contributions to Boulders.

	\$M	15-16*	16-17	17-18	18-19	19-20	20-21
Ministry Specific Funding - Preliminary Allocation							
Operating Expense		1156.9	254.7	247.2	247.2	247.2	247.2
Capital Expense		26.1	28.2	30.2	30.2	30.2	30.2
Total Preliminary Allocation		1182.9	282.9	277.4	277.4	277.4	277.4
Ministry Submission							
Operating Expense			325.6	309.1	309.1	238.2	238.2
Capital Expense			28.2	30.2	30.2	30.2	30.2
Total Ministry Submission			353.8	339.3	339.3	268.4	268.4
Over/(Under) Preliminary Allocation (Items Related to Hydro One, Northern Ontario Energy Credit savings proposal)			70.9	61.9	61.9	(9.0)	(9.0)
Adjustment for Fiscally Neutral Items (Proceeds from future offerings of Hydro One)			(70.9)	(61.9)	(61.9)	-	-
Fiscal Impact of Ministry Submission			0.0	0.0	0.0	(9.0)	(9.0)

	\$M	16-17	17-18	18-19	19-20	20-21
Recommendation						
<i>Do Not Approve</i>						
Operating Expense		-	-	-	-	-
Capital Expense		-	-	-	-	-
Total Do-Not-Approve		-	-	-	-	-
<i>Defer</i>						
Operating Expense - Defer (NOEC savings proposal to Tax Expenditure Reform Boulder)		-	(9.0)	(9.0)	(9.0)	(9.0)
Capital Expense		-	-	-	-	-
Total Defer		-	(9.0)	(9.0)	(9.0)	(9.0)
Approve						
Operating Expense		325.6	318.1	318.1	247.2	247.2
Capital Expense		28.2	30.2	30.2	30.2	30.2
Total Approve		353.8	348.3	348.3	277.4	277.4
Adjustment for Fiscally Neutral Items		(70.9)	(70.9)	(70.9)	-	-
Fiscal Impact of Recommendations		(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
% Growth		(70.1%)	(1.5%)	0.0%	(20.4%)	0.0%

* 2015-16 amount represents current approved allocation including all in-year decisions to date.

II. Executive Summary

- The Ministry of Energy is primarily a policy development and implementation ministry, focusing its efforts on delivering the government's top energy priority – providing Ontario with a clean, reliable and affordable supply of energy through the implementation of the Long-Term Energy Plan (LTEP).
- The majority of energy policies and initiatives are delivered through the Ministry's ratepayer funded agencies and entities.
- The Ministry cites significant expense-savings and revenue generation contributions to the Province's fiscal plan, examples include:
 - The annual \$1 billion Ontario Clean Energy Benefit ends December 31, 2015, replaced by the ratepayer funded program Ontario Electricity Support Program (OESP) targeting low-income electricity consumers (starts January 1, 2016)
 - \$1.8 billion raised through the initial public offering of Hydro One.
 - \$633 million of net income generated from Hydro One currently projected to be attributed to the Province in 2015.
- Key decisions requested seek to provide dedicated resources and expertise to support the Province as shareholder of Hydro One and future share offerings. Also, the Ministry seeks to avoid potential future costs by proposing legislative changes to the Ontario Clean Energy Benefit (OCEB) to specify an end date for the government's liability to pay the OCEB to consumers (no date currently).

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III. Key Performance Indicators

Key Performance Indicator (KPI)	Ministry Level Goal Being Assessed	Key Programs Contributing to the Goal Being Assessed by KPI	Data Sources Used to Derive KPI	Baseline Information (and date)	Current Value (if not baseline) – and date	Target (value/ date)
Increase conservation among Ontarians (Annual amount of electricity conserved in Ontario in terawatt hours [TWh])	Electricity Conservation	- Electricity Market Operation and System Planning - Long Term Energy Plan Program Initiatives	Conservation data from the IESO	0.0 TWh (2005)	8.7 TWh (2013)	30 TWh (2032) Result indicates progress toward achieving goal if increasing
Meet 2013 LTEP Goals for clean energy (Megawatts [MW] of clean energy in Ontario – e.g., wind, solar, bioenergy, hydroelectric)	Clean Energy	- Electricity Market Operation and System Planning - Long Term Energy Plan Program Initiatives - Electricity and Natural Gas Sector Regulation	Renewable energy data and renewable energy contract information from the IESO	~8,000 MW (2005)	17,940 MW (2015)	20,000 (2025) Result indicates progress toward achieving goal if increasing
Carbon Dioxide (CO₂) Emissions Reduction from 2005 Levels (Megatonnes [Mt] of greenhouse gas emissions – e.g., CO₂)	Maintain a Low Emissions Profile	- Electricity Market Operation and System Planning - Long Term Energy Plan Program Initiatives	Emissions data from MOECC, Environment Canada, and forecasts from the IESO	32.90 Mt (2005)	4.25 Mt (Forecast) (2015)	7.96 Mt (2032) Result indicates progress toward achieving goal if decreasing

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Key Performance Indicator (KPI)	Ministry Level Goal Being Assessed	Key Programs Contributing to the Goal Being Assessed by KPI	Data Sources Used to Derive KPI	Baseline Information (and date)	Current Value (if not baseline) – and date	Target (value/ date)
Retaining 40% ownership of Hydro One	Broadening the ownership of Hydro One	Strategic Assessment Management & Transformation	TSX (stock under the symbol “H”)	100% (2014)	84% (2015)	40% TBD Result indicates progress toward achieving goal if decreasing to 40% and then maintaining)
Increasing the number of natural gas customers (Number of customers, in millions)	Expanding the natural gas customer base	Electricity and Natural Gas Sector Regulation	Annual OEB Natural Gas Yearbook	3.49 million (2014-2015)	3.49 million (2014-2015)	3.70 million (2020-2021) Result indicates progress toward achieving goal if increasing

All 5 priority KPIs identified map effectively to ministry's strategic goals and priorities. The ministry has provided additional indicators for each strategic goal and these indicators will provide complementary data to support achievement of the ministry goals to which they align.

The KPIs aligned with the themes of increasing conservation among Ontarians and CO₂ emissions reductions are very strong, providing decision makers with solid evidence for decision making.

Generally, data identified is directly linked to the KPI and will inform progress toward achievement of Ministry goals. Ongoing assessment of data quality, validity and reliability will be important to confirm the relevance of these KPIs.

Baselines, Current Values and Targets to be updated/reconciled in ORBIT and the Ministry Overview Deck.

IV. Key Decisions

Operating Expense Decisions	Proposed Change					Programs Impacted	Recommend?	Page
	16-17	17-18	18-19	19-20	20-21			
A. Strategic Asset Management and Transformation related to Hydro One, and to sale of Hydro One Brampton	70.0	70.0	70.0	-	-	• Strategic Asset Management and Transformation (New)	Approve	6
Program Base*	70.0	70.0	70.0	-	-			
B. Support Expert Investment Advisory Committee and the Investment and Governance Secretariat (Both regarding Hydro One)(+5 FTEs)	0.9	0.9	0.9	-	-	• Energy Policy Development and Implementation	Approve 5 temporary FTEs and funding including \$0.5M in Salaries and Wages.	6
Program Base*	23.9	23.9	23.9	23.9	23.9			
C. Ontario Clean Energy Benefit – Post Program Sunset Cost Avoidance	-	-	-	-	-	• Ontario Clean Energy Benefit Program	Defer to Document	9
Program Base*	-	-	-	-	-			
D. Savings Proposal for Northern Ontario Energy Credit – Use for Unallocated Saving Target in 2017-18	-	(9.0)	(9.0)	(9.0)	(9.0)	• Northern Ontario Energy Credit Program	Defer to Tax Expenditure Reform Boulder	11
Program Base*	-	-	-	-	-			

Capital Decisions**	Proposed Change					Programs Impacted	Recommend?	Page
	16-17	17-18	18-19	19-20	20-21			
N/A								

* Represents combined current approved allocation for all programs impacted by the decision

** Represent key decisions on capital assets and expenses

V. External Programs with Key Changes

1) Strategic Asset Management and Transformation

☒ Approve ☐ Defer ☐ Do Not Approve		1) Strategic Asset Management and Transformation					
Current Approved Allocation*							Description - The Ministry is requesting funding and FTEs to support Hydro One transformation. This includes \$70M for future share sales and for external expertise. Five temporary FTEs and \$1M/year funding for the Secretariat. - Reflecting TB/MBC decisions made on October 22, 2015, the Ministry indicates it has established an Investment and Governance Secretariat and an Expert Investment Advisory Committee to provide dedicated resources and expertise to support the Province as shareholder of Hydro One and future share offerings. How will the impact of the changes on the program performance be measured? - The Ministry was directed to manage FTEs for 2015-16 from within its existing allocation, and if necessary, to address funding for 2015-16 through its year-end Treasury Board Order. The Ministry's out-year resources requests were deferred into the 2016-17 PRRT.
\$M	15-16	16-17	17-18	18-19	19-20	20-21	
Operating Expense	63.0	-	-	-	-	-	
Capital Expense	-	-	-	-	-	-	
Total Expense	63.0	-	-	-	-	-	
Operating Assets							
Capital Assets							
Proposed Allocation							
\$M	16-17	17-18	18-19	19-20	20-21		
Operating Expense	70.9	70.9	70.9	-	-		
Capital Expense	-	-	-	-	-		
Total Expense	70.9	70.9	70.9	-	-		
Operating Assets							
Capital Assets							
Recommended Allocation							
\$M	16-17	17-18	18-19	19-20	20-21		
Operating Expense	70.9	70.9	70.9	-	-		
Capital Expense	-	-	-	-	-		
Total Expense	70.9	70.9	70.9	-	-		
Operating Assets							
Capital Assets							
The Ministry is requesting out-year resources from 2016-17 till 2018-19 in-line with its October 2015 submission related to Hydro One (share sale and Secretariat), and the sale of Hydro one Brampton to a merged entity of three other large utilities. This includes five new temporary FTEs and funding of \$71M per year with some expenses recovered from the proceeds of future shares.							

The Ministry provided the following breakdown of the \$71M:

- **(A) \$31M to \$61M** for potential underwriting fees and expenses associated with future share sales
 - The Ministry indicates the underwriting fees for the Initial Public Offering (IPO) were approximately \$40M, and less than the typical market rate. Underwriting fees for future offerings are estimated by the Ministry to be between \$31M and \$61M.
- **(A) \$9M** in operating expense to pay for external financial and legal expertise required to support the Province with future share sales and the Hydro One Brampton transaction.
 - Breakdown of external advisor costs include:
 - o \$3M to provide capacity funding for Chiefs of Ontario (COO) in support of the Province's ongoing discussions to facilitate First Nation ownership.
 - o \$3M in legal support for the Province related to the COO discussions
 - o \$2M in legal support for the Province related to non-COO initiatives, such as, future share sales to the market for private placements
 - o \$1M in financial support for the Province related to both COO negotiations as well as alternative share sale plans
- **(B) \$1M** in operating expense for staffing and operational costs related to the Investment and Governance Secretariat and the Expert Investment Advisory Committee
 - Consistent with the October 2015 TB/MBC item:
 - 5 temporary FTEs for the Secretariat from 2016-17 to 2018-19
 - Total costs of \$0.93M per year, including \$0.58M in Salaries & Wages. This covers \$0.1M for remuneration of members making up the Expert Investment Advisory Committee, and \$0.83M in total for the Governance Secretariat (\$0.58M in Salaries & Wages).

Fiscal Offset

The Ministry's program note indicates some of the \$71M in expenses being requested will be recovered from proceeds of future share offerings (no estimate of recovered amounts mentioned).

The Ministry indicates the IPO, combined with future share offerings is expected to raise approximately \$9 billion in net proceeds (the Ministry indicates \$1.8 billion raised through the IPO); \$4 billion of which will be invested in infrastructure and \$5 billion to reduce debt (subject to market conditions). Ontario will direct all net revenue gains from the Province's sale of Hydro One common shares into the Trillium Trust, which will be used to fund infrastructure projects across Ontario.

In addition, the Ministry's Overview slide deck for 2016-17 PRRT cites significant other revenue generation, such as a projected \$430M gain in OPG net income, and an estimated \$633M of net income generated from Hydro One currently projected to be attributed to the Province for 2015 (with the Ministry noting that going forward Hydro One's net income will be consolidated onto the Province's books proportional to its ownership stake). These revenue impacts are pending central agencies review.

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Operating Decisions	\$M	16-17	17-18	18-19	19-20	20-21
A. Strategic Asset Management & transformation related to Hydro One	Proposed Exp.	70.0	70.0	70.0	-	-
	Recomm. Exp.	70.0	70.0	70.0	-	-
B. FTEs and funding for Investment and Governance Secretariat, and an Expert Investment Advisory Committee	Proposed Exp.	0.9	0.9	0.9	-	-
	Recomm. Exp.	0.9	0.9	0.9	-	-
	Proposed FTEs	5.0	5.0	5.0	-	-
	Recomm. FTEs	5.0	5.0	5.0	-	-

Analysis/Rationale

Full impact of the recommended decision:

- This request facilitates government objectives regarding its assets management and transformation strategy related to Hydro One, such as key shareholder responsibilities related to governance and investment decisions.
- The Ministry's existing allocation is not sufficient to offset costs related to potential underwriting fees and expenses associated with future Hydro One share sales (\$31M to \$61M). It is also not likely sufficient to offset costs for external financial and legal expertise to support the Province with future share sales and Hydro One Brampton transaction (\$9M). Providing \$70M per year from 2016-17 to 2018-19 supports completing asset transformation, and is significant less than revenues being generated.
- While the Ministry has not explicitly identified specific fiscal plan offsets for the full funding requested. The funding request is significantly less than projected gains in revenue to the Province.
- Approve the 5 temporary FTEs from 2016-17 to 2018-19 in the Investment and Governance Secretariat. Funding related to the Secretariat (Decision B, \$0.93M, including \$0.53M in Salaries & Wages) could be provided based on the Ministry's on-going efforts to manage other pressures within its funding allocation. Funding of just under \$1M, including \$0.5M in Salaries and Wages is being recommended. However, given the wide cost range estimates (\$31M to \$61M) for underwriting fees and expenses associated with future share sales, and a further \$9m for external financial and legal advice, the Ministry could be directed to manage \$1M annually from within allocation.
- Direct the Ministry to return any underspending from the \$71M annually.

Capital Decisions		\$M	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26
N/A												

2) Ontario Clean Energy Benefit Program

	☐ Approve ☒ Defer (to Document) ☐ Do Not Approve					
Current Approved Allocation*						
\$M	15-16	16-17	17-18	18-19	19-20	20-21
Operating Expense	860.0	-	-	-	-	-
Capital Expense	-	-	-	-	-	-
Total Expense	860.0	-	-	-	-	-
Operating Assets	-					
Capital Assets	-	-	-	-	-	-
Proposed Allocation						
\$M	16-17	17-18	18-19	19-20	20-21	
Operating Expense	-	-	-	-	-	
Capital Expense	-	-	-	-	-	
Total Expense	-	-	-	-	-	
Operating Assets	-					
Capital Assets	-	-	-	-	-	
Recommended Allocation						
\$M	16-17	17-18	18-19	19-20	20-21	
Operating Expense	-	-	-	-	-	
Capital Expense	-	-	-	-	-	
Total Expense	-	-	-	-	-	
Operating Assets	-					
Capital Assets	-	-	-	-	-	

Description

- The Ministry's overview deck includes a Key Decision's request proposing legislative change be introduced to create an end date for claiming the Ontario Clean Energy Benefit (OCEB), which sunsets December 31, 2015. Currently, Ontario Clean Energy Benefit Act, 2010 does not specify an end date for the government's liability to pay the OCEB to consumers, and the Ministry has no funding allocation beyond 2015-16.
- The Ministry indicates that while OCEB is scheduled to end on December 31, 2015, the program will continue to make payouts to local distribution companies and unit sub-metering providers beyond this date due to the billing lag.
- The Ministry also indicates it will be setting up an accrual for 2015-16 year-end that could be drawn on in 2016-17 for expected trailing activities/bills that need to be paid. This would be an internal, in-year issue for the Ministry for 2015-16.

The Ministry points out that setting up an accrual doesn't fully address the program's need for an end date, people could file an OCEB claim 10 years from now if there is no claims end date in place.

The Ministry is proposing legislation establishing an end date for filing OCEB payment claims, which could be part of an upcoming omnibus Bill (e.g. Spring Budget Bill). This approach would limit the government's liability to pay the OCEB and reduce future fiscal impacts.

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Operating Decisions		\$M	16-17	17-18	18-19	19-20	20-21				
C. Establishing an end date in legislation for the Province's liability to pay Ontario Clean Energy Benefit to consumers.	Proposed Exp.	-	-	-	-	-	-				
	Recomm. Exp.	-	-	-	-	-	-				
Analysis/Rationale											
Full impact of the recommended decision:											
- Implementing the proposal with a grace period beyond December 31, 2015 will help to mitigate eligible consumers concerns about being denied a benefit they're otherwise entitled to receive. - Given the nature of changes and implications, further review by central agencies is needed.											
Capital Decisions	\$M	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26
N/A											

3) Northern Ontario Energy Credit

☐ Approve ☒ Defer (to Tax Expenditure Reform Boulder) ☐ Do Not Approve						
Current Approved Allocation*						
\$M	15-16	16-17	17-18	18-19	19-20	20-21
Operating Expense	26.0	-	-	-	-	-
Capital Expense	-	-	-	-	-	-
Total Expense	26.0	-	-	-	-	-
Operating Assets	-					
Capital Assets	-	-	-	-	-	-
Proposed Allocation						
\$M	16-17	17-18	18-19	19-20	20-21	
Operating Expense	-	-	-	-	-	
Capital Expense	-	-	-	-	-	
Total Expense	-	-	-	-	-	
Operating Assets	-					
Capital Assets	-	-	-	-	-	
Recommended Allocation						
\$M	16-17	17-18	18-19	19-20	20-21	
Operating Expense	-	-	-	-	-	
Capital Expense	-	-	-	-	-	
Total Expense	-	-	-	-	-	
Operating Assets	-					
Capital Assets	-	-	-	-	-	

Description

- The Northern Ontario Energy Credit (NOEC) was introduced in the 2010 Budget and provides about \$25 million annually, helping about 160,000 Northern Ontario residents. The maximum annual credit for individuals is \$143, and for families is \$221.
- The NOEC is a tax credit; its allocation was transferred to ENERGY in the 2012 Budget as a result of a presentation change in compliance with the new Public Sector Accounting Board (PSAB) standard to better reflect sector costs by ministry. The Ministry of Finance retains policy and legislative authority over the NOEC and continues to coordinate program delivery and support activities.
- The NOEC is one component of the Ontario Trillium Benefit (OTB), along with the Ontario Sales Tax Credit (OSTC) and the Ontario Energy and Property Tax Credit (OEPTC). Each component of the OTB is phased out once a certain level of family income is reached.

- The NOEC has higher income-test thresholds (\$38,600 for individuals, and \$49,628 for families) compared to the OSTC and the OEPTC.
- The Ministry is proposing to better target the NOEC by reducing NOEC benefits as income levels rise, to match levels for the Ontario Energy and Property Tax Credit for non-seniors (\$22,057 for individuals, and \$27,571 for families). The Ministry estimates this would save about \$9 million from about 90,000 recipients. Individuals with incomes up to about \$36,500 and families with incomes up to about \$50,000 would continue to receive an NOEC benefit.
- The Ministry indicates this savings would meet the Ministry's 2017-18 and onwards savings target of \$8.9M. It also indicates the proposal will directly contribute towards the government's Tax Expenditure Reform initiative (boulder).

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Operating Decisions		\$M	16-17	17-18	18-19	19-20	20-21					
D. Savings Proposal for Northern Ontario Energy Credit	Proposed Exp.	-	-	-	-	-	-					
	Recomm. Exp.	-	-	-	-	-	-					
Analysis/Rationale Full impact of the recommended decision: • The NOEC allocation was carved out of the ministry’s allocation. This proposal should be deferred and considered as part of the Tax Expenditure Reform boulder. • The Ministry correctly acknowledges NOEC is within its allocation due to a previous presentation change and that the Ministry of Finance retains policy and legislative authority over the NOEC and continues to coordinate program delivery and support activities. This weakens the case for giving the Ministry credit against its 2017-18 savings target should this proposal be implemented.the nature of changes and implications, further review by central agencies is needed. • If not accepted, a bottom line pressure results of \$9M starting in 2017-18 and on-going for the Ministry.												
Capital Decisions		\$M	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26
N/A												

VI. Internal Functions with Key Changes

N/A

VII. External Programs without Key Changes

		Current Approved Allocation*					Recommended Allocation				
		\$M	16-17	17-18	18-19	19-20	20-21	16-17	17-18	18-19	19-20
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	☒ Approve ☐ Defer ☐ Do Not Approve	33.3	34.0	34.0	34.0	34.0	33.3	34.0	34.0	34.0	34.0
Energy Policy Development and Implementation	☒ Approve ☐ Defer ☐ Do Not Approve	23.9	23.9	23.9	23.0	23.0	23.9	23.9	23.9	23.0	23.0
Long-Term Energy Plan Program Initiatives (TP)	☒ Approve ☐ Defer ☐ Do Not Approve	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Electricity Market Operations & System Planning (Delivered by the IESO)	☒ Approve ☐ Defer ☐ Do Not Approve	208.0	210.7	210.7	210.7	210.7	208.0	210.7	210.7	210.7	210.7

VIII. Internal Functions without Key Changes

		Current Approved Allocation*					Recommended Allocation				
		16-17	17-18	18-19	19-20	20-21	16-17	17-18	18-19	19-20	20-21
\$M											
Ministry Admin (Communication Services Branch)	☒ Approve ☐ Defer ☐ Do Not Approve	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Ministry Admin (Corporate Services Division)	☒ Approve ☐ Defer ☐ Do Not Approve										
Ministry Admin (Legal Services Branch)	☒ Approve ☐ Defer ☐ Do Not Approve	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Ministry Admin (MO, DMO)	☒ Approve ☐ Defer ☐ Do Not Approve	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3

IX. NTR Decisions

N/A

X. Appendices

- 1. Summary of Programs**
- 2. Program Changes**
- 3. Non-tax Revenue Schedule**
- 4. FTE Impact Summary**
- 5. Administrative and Non-Financial Decisions – N/A**
- 6. 10-year capital expense and assets plans**
- 7. Other Supporting Schedules**

7. Other Supporting Schedules

Financial Summary (Detailed Version)

	\$M	15-16	16-17	17-18	18-19	19-20	20-21
Ministry Specific Funding - Preliminary Allocation							
Operating Expense	O	1156.9	254.7	247.2	247.2	247.2	247.2
Capital Expense	C	26.1	28.2	30.2	30.2	30.2	30.2
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<i>Over/(Under) Preliminary Allocation</i>			70.9	61.9	61.9	(9.0)	(9.0)
<i>Adjustments for Fiscally Neutral Items</i>							
· Proceeds from future Hydro One share sales			(70.9)	(61.9)	(61.9)	-	-
Fiscal Impact of Ministry Submission			0.0	0.0	0.0	(9.0)	(9.0)
Recommendations							
Do Not Approve							
<i>Do Not Approve - Operating Expense</i>							
	O		0.0	0.0	0.0	0.0	0.0
<i>Do Not Approve - Capital Expense</i>							
	C		0.0	0.0	0.0	0.0	0.0
Total Do Not Approve			0.0	0.0	0.0	0.0	0.0
Defer							
· Defer (NOEC savings proposal to Tax Expenditure Reform Boulder)			O	-	(9.0)	(9.0)	(9.0)
<i>Defer - Operating Expense</i>			O	0.0	(9.0)	(9.0)	(9.0)
<i>Defer - Capital Expense</i>			C	0.0	0.0	0.0	0.0
Total Defer			0.0	(9.0)	(9.0)	(9.0)	(9.0)
Adjustment for Deferred / Not Approved Fiscally Neutral Items			0.0	0.0	0.0	0.0	0.0
Approve							
Operating Expense	O		325.6	318.1	318.1	247.2	247.2
Capital Expense	C		28.2	30.2	30.2	30.2	30.2
Total Approve			353.8	348.3	348.3	277.4	277.4
<i>Over/(Under) Preliminary Allocation</i>			70.9	70.9	70.9	0.0	0.0
<i>Adjustment for Fiscally Neutral Items</i>			(70.9)	(70.9)	(70.9)	0.0	0.0
Fiscal Impact of Recommendations			0.0	0.0	0.0	0.0	0.0
% Growth			(70.1%)	(1.5%)	0.0%	(20.4%)	0.0%

Summary of Programs

Appendix 1

Planning Cycle: 2016-17 Planning Cycle
 Account Type: TOTAL EXPENSE
 My Number: Approved | Tracking
 Amount Type: CURRENT BUCKET
 Scope: External Program | Internal Function | UNASSIGNED

PRRT BASE	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Energy					
TOTAL EXPENSE					
External Program	270.7533	265.2710	265.2710	265.2710	265.2710
Ministry Unassigned Savings Target		-8.9306	-8.9306	-8.9306	-8.9306
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	33.3497	34.0498	34.0498	34.0498	34.0498
Electricity Market Operations & System Planning (Delivered by the IESO)	207.9562	210.7044	210.7044	210.7044	210.7044
Long-Term Energy Plan Program Initiatives (TP)	3.4474	3.4474	3.4474	3.4474	3.4474
Northern Ontario Energy Credit Program (TP)	26.0000	26.0000	26.0000	26.0000	26.0000
Internal Function	38.1596	38.1596	38.1596	38.1596	38.1596
Energy Policy Development and Implementation	22.9957	22.9957	22.9957	22.9957	22.9957
Ministry Admin (Communication Services Branch)	4.1186	4.1186	4.1186	4.1186	4.1186
Ministry Admin (Corporate Services Division)	5.2215	5.2215	5.2215	5.2215	5.2215
Ministry Admin (Legal Services Branch)	3.2549	3.2549	3.2549	3.2549	3.2549
Ministry Admin (MO, DMO)	2.5689	2.5689	2.5689	2.5689	2.5689
UNASSIGNED	0.0000				
Total Programs	308.9129	303.4306	303.4306	303.4306	303.4306
Annual % Growth		-1.77 %	0.00 %	0.00 %	0.00 %

Summary of Programs

Appendix 1

<u>CHANGES</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Energy					
TOTAL EXPENSE					
External Program	44.0000	44.0000	44.0000	(26.0000)	(26.0000)
Strategic Asset Management & Transformation	70.0000	70.0000	70.0000		
Northern Ontario Energy Credit Program (TP)	-26.0000	-26.0000	-26.0000	-26.0000	-26.0000
Internal Function	0.9300	0.9300	0.9300		
Energy Policy Development and Implementation	0.9300	0.9300	0.9300		
UNASSIGNED	0.0000	0.0000	0.0000		
Total Programs	44.9300	44.9300	44.9300	-26.0000	-26.0000
Annual % Growth		0.00 %	0.00 %	-157.87 %	0.00 %

Summary of Programs

Appendix 1

<u>RECOMMENDED</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Energy					
TOTAL EXPENSE					
External Program	314.7533	309.2710	309.2710	239.2710	239.2710
Ministry Unassigned Savings Target		-8.9306	-8.9306	-8.9306	-8.9306
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	33.3497	34.0498	34.0498	34.0498	34.0498
Strategic Asset Management & Transformation	70.0000	70.0000	70.0000		
Electricity Market Operations & System Planning (Delivered by the IESO)	207.9562	210.7044	210.7044	210.7044	210.7044
Long-Term Energy Plan Program Initiatives (TP)	3.4474	3.4474	3.4474	3.4474	3.4474
Northern Ontario Energy Credit Program (TP)	0.0000	0.0000	0.0000	0.0000	0.0000
Internal Function	39.0896	39.0896	39.0896	38.1596	38.1596
Energy Policy Development and Implementation	23.9257	23.9257	23.9257	22.9957	22.9957
Ministry Admin (Communication Services Branch)	4.1186	4.1186	4.1186	4.1186	4.1186
Ministry Admin (Corporate Services Division)	5.2215	5.2215	5.2215	5.2215	5.2215
Ministry Admin (Legal Services Branch)	3.2549	3.2549	3.2549	3.2549	3.2549
Ministry Admin (MO, DMO)	2.5689	2.5689	2.5689	2.5689	2.5689
UNASSIGNED	0.0000	0.0000	0.0000		
Total Programs	353.8429	348.3606	348.3606	277.4306	277.4306
Annual % Growth		-1.55 %	0.00 %	-20.36 %	0.00 %

Planning Cycle: 2016-17 Planning Cycle
 Phases: PRRT Based Outlook
 My Number: Approved | Tracking
 Amount Type: CURRENT BUCKET
 Scope: External Program | External Program | Internal Function | Internal Function |

	2016-17	2017-18	2018-19	2019-20	2020-21
Ministry of Energy					
Operating Expense					
External Program					
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)					
Base					
D0025182 - Base - Operating Expense - \$	32.4785	33.1336			
D0025186 - Flatline D0025182 - Base - Operating Expense - \$			33.1336	33.1336	33.1336
Recommended Program Allocation	32.4785	33.1336	33.1336	33.1336	33.1336
Annual % Growth		2.02%	0.00%	0.00%	0.00%
Electricity Market Operations & System Planning (Delivered by the IESO)					
Base					
D0025182 - Base - Operating Expense - \$	180.5942	181.3804			
D0025186 - Flatline D0025182 - Base - Operating Expense - \$			181.3804	181.3804	181.3804
Recommended Program Allocation	180.5942	181.3804	181.3804	181.3804	181.3804
Annual % Growth		0.44%	0.00%	0.00%	0.00%
Long-Term Energy Plan Program Initiatives (TP)					
Base					
D0025182 - Base - Operating Expense - \$	3.4474	3.4474			
D0025186 - Flatline D0025182 - Base - Operating Expense - \$			3.4474	3.4474	3.4474
Recommended Program Allocation	3.4474	3.4474	3.4474	3.4474	3.4474
Annual % Growth		0.00%	0.00%	0.00%	0.00%
Ministry Unassigned Savings Target					
Base					
D0025182 - Base - Operating Expense - \$		(8.9306)			
D0025186 - Flatline D0025182 - Base - Operating Expense - \$			(8.9306)	(8.9306)	(8.9306)
Recommended Program Allocation		(8.9306)	(8.9306)	(8.9306)	(8.9306)
Annual % Growth			0.00%	0.00%	0.00%
Northern Ontario Energy Credit Program (TP)					
Base					
D0025182 - Base - Operating Expense - \$	26.0000	26.0000			
D0025186 - Flatline D0025182 - Base - Operating Expense - \$			26.0000	26.0000	26.0000
Boulders					
D0026175 - ENERGY to TER Northern Ont. Energy Credit	(26.0000)	(26.0000)	(26.0000)	(26.0000)	(26.0000)
Recommended Program Allocation	0.0000	0.0000	0.0000	0.0000	0.0000
Annual % Growth					
Strategic Asset Management & Transformation					
PRRT					
D0030479 - ENERGY – Report Back on Strategic Asset Management	70.0000	70.0000	70.0000		
Recommended Program Allocation	70.0000	70.0000	70.0000		
Annual % Growth		0.00%	0.00%		
Internal Function					
Energy Policy Development and Implementation					
Base					
D0025182 - Base - Operating Expense - \$	22.9937	22.9937			
D0025186 - Flatline D0025182 - Base - Operating Expense - \$			22.9937	22.9937	22.9937
PRRT					
D0028702 - ENERGY - 5 new FTEs for the Investment and Governance	0.6550	0.6550	0.6550		
D0030479 - ENERGY – Report Back on Strategic Asset Management	0.2750	0.2750	0.2750		
Recommended Program Allocation	23.9237	23.9237	23.9237	22.9937	22.9937
Annual % Growth		0.00%	0.00%	-3.89%	0.00%
Ministry Admin (Communication Services Branch)					
Base					
D0025182 - Base - Operating Expense - \$	4.1186	4.1186			
D0025186 - Flatline D0025182 - Base - Operating Expense - \$			4.1186	4.1186	4.1186
Recommended Program Allocation	4.1186	4.1186	4.1186	4.1186	4.1186
Annual % Growth		0.00%	0.00%	0.00%	0.00%
Ministry Admin (Corporate Services Division)					

Program Changes

Appendix 2

Base					
D0025182 - Base - Operating Expense - \$	5.2215	5.2215			
D0025186 - Flatline D0025182 - Base - Operating Expense - \$			5.2215	5.2215	5.2215
Recommended Program Allocation	5.2215	5.2215	5.2215	5.2215	5.2215
Annual % Growth		0.00%	0.00%	0.00%	0.00%
Ministry Admin (Legal Services Branch)					
Base					
D0025182 - Base - Operating Expense - \$	3.2549	3.2549			
D0025186 - Flatline D0025182 - Base - Operating Expense - \$			3.2549	3.2549	3.2549
Recommended Program Allocation	3.2549	3.2549	3.2549	3.2549	3.2549
Annual % Growth		0.00%	0.00%	0.00%	0.00%
Ministry Admin (MO, DMO)					
Base					
D0025182 - Base - Operating Expense - \$	2.5689	2.5689			
D0025186 - Flatline D0025182 - Base - Operating Expense - \$			2.5689	2.5689	2.5689
Recommended Program Allocation	2.5689	2.5689	2.5689	2.5689	2.5689
Annual % Growth		0.00%	0.00%	0.00%	0.00%
Unassigned					
Unassigned					
Allocation Adjustment					
D0026649 - Tax Credit Forecast Update	0.0000	0.0000	0.0000		
Base					
D0025182 - Base - Operating Expense - \$	572.5000				
D0025332 - Sunset D0017736: Sunset D0013249: Planning Adjustment -	(12.5000)				
D0025335 - Sunset D0017743: Sunset D0013246: Planning Adjustment -	(560.0000)				
Recommended Program Allocation	0.0000	0.0000	0.0000		
Annual % Growth		0.00%	0.00%		

Program Changes

Planning Cycle: 2016-17 Planning Cycle
Phases PRRT Based Outlook
My Number: Approved | Tracking
Amount Type: CURRENT BUCKET
Scope: External Program | External Program | Internal Function | Internal Function | UNASSIGNED

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Ministry of Energy										
Capital Expense										
External Program										
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)										
Base										
D0025179 - Base - Capital Expense - \$	0.8712	0.9162	0.9162	0.9162	0.9162	0.9162	0.9162	0.9162	0.9162	0.9162
Recommended Program Allocation	0.8712	0.9162	0.9162	0.9162	0.9162	0.9162	0.9162	0.9162	0.9162	0.9162
Annual % Growth		5.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electricity Market Operations & System Planning (Delivered by the IESO)										
Base										
D0025179 - Base - Capital Expense - \$	27.3620	29.3240	29.3240	29.3240	29.3240	29.3240	29.3240	29.3240	29.3240	29.3240
Recommended Program Allocation	27.3620	29.3240	29.3240	29.3240	29.3240	29.3240	29.3240	29.3240	29.3240	29.3240
Annual % Growth		7.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Internal Function										
Energy Policy Development and Implementation										
Base										
D0025179 - Base - Capital Expense - \$	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
Recommended Program Allocation	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
Annual % Growth		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Program Changes

Appendix 2

Ministry of Energy

Capital Assets

External Program

Electricity and Natural Gas Sector Regulation (Delivered by the OEB)

Base

D0025187 - Base - Capital Assets - \$	0.7300	0.5250	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Recommended Program Allocation	0.7300	0.5250	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Annual % Growth		-28.08%	-4.76%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Electricity Market Operations & System Planning (Delivered by the IESO)

Base

D0025187 - Base - Capital Assets - \$	30.2693	30.2663	30.2650	30.2650	30.2650	30.2650	30.2650	30.2650	30.2650	30.2650
Recommended Program Allocation	30.2693	30.2663	30.2650	30.2650	30.2650	30.2650	30.2650	30.2650	30.2650	30.2650
Annual % Growth		-0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Internal Function

Energy Policy Development and Implementation

Base

D0025187 - Base - Capital Assets - \$	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Recommended Program Allocation	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Annual % Growth		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Non-Tax Revenue Schedule Ministry of Energy

Appendix 3

Total Revenue

(\$ Millions)

Workflow: Approved + Tracking

Phase: PRRT Based Outlook

View: Current

Appendix 3

	Budget 2016-17	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21
Energy Consolidated					
Energy Consolidations					
29C2-01 Revenue Consolidation - Independent Electricity System Operator					
Other Revenue					
D0025181 Base - Other Revenue - \$	231.5039	233.1619	-	-	-
D0025184 Base - Other Revenue - \$	-	-	233.1619	233.1619	233.1619
Total Other Revenue	231.5039	233.1619	233.1619	233.1619	233.1619
Total 29C2-01 Revenue Consolidation - Independent Electricity System Operator	231.5039	233.1619	233.1619	233.1619	233.1619
29C2-02 Revenue Consolidation - Ontario Energy Board					
Other Revenue					
D0025181 Base - Other Revenue - \$	34.7340	35.4341	-	-	-
D0025184 Base - Other Revenue - \$	-	-	35.4341	35.4341	35.4341
Total Other Revenue	34.7340	35.4341	35.4341	35.4341	35.4341
Total 29C2-02 Revenue Consolidation - Ontario Energy Board	34.7340	35.4341	35.4341	35.4341	35.4341
29C2-03 Revenue Consolidation - Ontario Power Authority					
Other Revenue					
D0025181 Base - Other Revenue - \$	-	-	-	-	-
D0025184 Base - Other Revenue - \$	-	-	-	-	-
Total Other Revenue	-	-	-	-	-
Total 29C2-03 Revenue Consolidation - Ontario Power Authority	-	-	-	-	-
29C4-09 Hydro One					
Income from Business Enterprises					
D0025180 Base - Income from Business Enterprises - \$	816.0000	860.0000	-	-	-
D0025185 Base - Income from Business Enterprises - \$	-	-	860.0000	860.0000	860.0000
Total Income from Business Enterprises	816.0000	860.0000	860.0000	860.0000	860.0000
Total 29C4-09 Hydro One	816.0000	860.0000	860.0000	860.0000	860.0000
29C4-10 Ontario Power Generation					
Income from Business Enterprises					
D0025180 Base - Income from Business Enterprises - \$	471.0000	586.0000	-	-	-
D0025185 Base - Income from Business Enterprises - \$	-	-	586.0000	586.0000	586.0000
Total Income from Business Enterprises	471.0000	586.0000	586.0000	586.0000	586.0000
Total 29C4-10 Ontario Power Generation	471.0000	586.0000	586.0000	586.0000	586.0000
Total Energy Consolidations	1,553.2379	1,714.5960	1,714.5960	1,714.5960	1,714.5960
Total Energy Consolidated	1,553.2379	1,714.5960	1,714.5960	1,714.5960	1,714.5960

Non-Tax Revenue Schedule Ministry of Energy

Total Revenue

(\$ Millions)

Workflow: Approved + Tracking

Phase: PRRT Based Outlook

View: Current

	Budget 2016-17	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21
Energy Consolidated					
Energy Consolidations					
29C2-01 Revenue Consolidation - Independent Electricity System Operator					
Other Revenue					
422301-OR Other Fees, Licences and Permits	-	-	-	-	-
422305-OR Consolidations - Other Fees and Licenses	231.7783	233.4363	233.4363	233.4363	233.4363
475005-OR Consolidations - Miscellaneous Revenue	(0.2744)	(0.2744)	(0.2744)	(0.2744)	(0.2744)
Total Other Revenue	231.5039	233.1619	233.1619	233.1619	233.1619
Total 29C2-01 Revenue Consolidation - Independent Electricity System Operator	231.5039	233.1619	233.1619	233.1619	233.1619
29C2-02 Revenue Consolidation - Ontario Energy Board					
Other Revenue					
422301-OR Other Fees, Licences and Permits	-	-	-	-	-
422305-OR Consolidations - Other Fees and Licenses	0.3669	0.3669	0.3669	0.3669	0.3669
455005-OR Consolidations - Fines and Penalties	0.0150	0.0150	0.0150	0.0150	0.0150
475005-OR Consolidations - Miscellaneous Revenue	34.3521	35.0522	35.0522	35.0522	35.0522
Total Other Revenue	34.7340	35.4341	35.4341	35.4341	35.4341
Total 29C2-02 Revenue Consolidation - Ontario Energy Board	34.7340	35.4341	35.4341	35.4341	35.4341
29C2-03 Revenue Consolidation - Ontario Power Authority					
Other Revenue					
422305-OR Consolidations - Other Fees and Licenses	-	-	-	-	-
Total Other Revenue	-	-	-	-	-
Total 29C2-03 Revenue Consolidation - Ontario Power Authority	-	-	-	-	-
29C4-09 Hydro One					
Income from Business Enterprises					
418510-BE Hydro One Inc.	816.0000	860.0000	860.0000	860.0000	860.0000
Total Income from Business Enterprises	816.0000	860.0000	860.0000	860.0000	860.0000
Total 29C4-09 Hydro One	816.0000	860.0000	860.0000	860.0000	860.0000
29C4-10 Ontario Power Generation					
Income from Business Enterprises					
418610-BE Ontario Power Generation Inc.	471.0000	586.0000	586.0000	586.0000	586.0000
Total Income from Business Enterprises	471.0000	586.0000	586.0000	586.0000	586.0000
Total 29C4-10 Ontario Power Generation	471.0000	586.0000	586.0000	586.0000	586.0000
Total Energy Consolidations	1,553.2379	1,714.5960	1,714.5960	1,714.5960	1,714.5960
Total Energy Consolidated	1,553.2379	1,714.5960	1,714.5960	1,714.5960	1,714.5960

FTE Impact Summary
2016-17 Program Review, Renewal and Transformation
Ministry of Energy

Appendix 4

Description	2016-17	2017-18	2018-19	2019-20	2020-21
Preliminary FTE Caps and In Year Approvals					
Preliminary FTE Caps	204.6100	204.6100	204.6100	204.6100	204.6100
FTE CAPS	204.6100	204.6100	204.6100	204.6100	204.6100
Other Decisions					
D0028702 - ENERGY - 5 new FTEs for the Investment and Governance Secretariat 5 FTEs to support Hydro 1	5.0000	5.0000	5.0000	0.0000	0.0000
TOTAL	5.0000	5.0000	5.0000	0.0000	0.0000
TOTAL PRRT Impact	5.0000	5.0000	5.0000	0.0000	0.0000
Revised Multi-Year FTE Caps	209.6100	209.6100	209.6100	204.6100	204.6100

Appendix 6

Docket Summary
Energy
Capital Assets
(\$ Millions)

Workflow: Approved + Tracking
Phase: PRRT Based Outlook
View: Current
Detail

	Budget 2016-17	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26
Base										
D0025187 Base - Capital Assets - \$	31.0003	30.7923	30.7660	30.7660	30.7660	30.7660	30.7660	30.7660	30.7660	30.7660
Base	31.0003	30.7923	30.7660	30.7660	30.7660	30.7660	30.7660	30.7660	30.7660	30.7660
PRRT Based Outlook	31.0003	30.7923	30.7660	30.7660	30.7660	30.7660	30.7660	30.7660	30.7660	30.7660

Appendix 6

Docket Summary
Energy
Capital Expense
(\$ Millions)

Workflow: Approved + Tracking
Phase: PRRT Based Outlook
View: Current
Detail

	Budget 2016-17	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26
Base										
D0025179 Base - Capital Expense - \$	28.2352	30.2422	30.2422	30.2422	30.2422	30.2422	30.2422	30.2422	30.2422	30.2422
Base	28.2352	30.2422	30.2422	30.2422	30.2422	30.2422	30.2422	30.2422	30.2422	30.2422
PRRT Based Outlook	28.2352	30.2422	30.2422	30.2422	30.2422	30.2422	30.2422	30.2422	30.2422	30.2422

2 PRRT 2017-18 Energy All Combined PRRT TBS Assessment Note FINAL.pdf

I. Executive Summary



Through its PRRT submission, the Ministry is delivering the government's top energy priority – providing Ontarians with a clean, reliable and affordable supply of energy through the implementation of the Long-Term Energy Plan.



The Ministry delivers the majority of its energy policies and initiatives through its ratepayer funded agencies and entities. The Ministry is also implementing a series of electricity price mitigation initiatives, such as the Ontario Rebate for Electricity Consumers (OREC provides a rebate of 8% of electricity bills) that launched January 1, 2017. OREC is funded from taxpayers. The Ministry is also developing further electricity rate mitigation initiatives including rate relief for industrial and commercial consumers.



The Ministry's PRRT submission is above its preliminary allocation, driven primarily by transactions related to the Province's Agreement-in-Principle with First Nations on Hydro One, and implementation of the Ontario Rebate for Electricity Consumers.



Key risks include the open-ended nature of OREC with the rebate amount depended on weather, price of electricity and level of consumption. TB/MBC can choose to manage OREC risk through the Ministry by increasing its allocation, or centrally through the Treasury Board Contingency fund if the Ministry cannot identify sufficient internal offsets for funding pressures.



ENERGY has developed KPIs that are closely aligned with ministry strategic priorities and mandate commitments. These measures indicate:

- Greenhouse gas emissions from Ontario's electricity sector decreased from 31.20Mt of CO₂ in 2009-09 to 9.2Mt of CO₂ in 2014-15.
- In 2015, a total of 9MW of net metered renewable energy generation capacity was installed in Ontario.
- From 2004 to 2014, Ontarians conserved 9.9 Terawatt Hours (TWh) of electricity (enough to power the cities of Ottawa and Windsor in 2014).

II. Ministry Key Performance Indicator Summary



KPI	PROGRESS TO TARGET	ANALYSIS	RECOMMENDATIONS
Increase Energy Efficiency and Conservation (cumulative reduction in consumption)	9.90TWh (2014) Baseline (2008): 4.00TWh Target (2032): 30.00TWh	STRATEGIC RELEVANT TECHNICALLY SOUND	Approve.
Maintain Low Energy Sector Emissions (CO2 emissions)	7.00Mt (2016) Baseline (2008): 31.20Mt Target (2032): 8.03Mt	STRATEGIC RELEVANT TECHNICALLY SOUND	Approve.
Minimize Growth of Electricity Costs to Consumers and Businesses (\$ spend by average consumer)	\$141.50 (2016) Baseline (2016): \$141.50 Target (2032): <\$188.00	STRATEGIC RELEVANT TECHNICALLY SOUND	Approve.
Support Transition to Market-Based Metering Program (cumulative installed capacity)	9.10MW (2015) Baseline (2010): 6.40MW Target (2019):	STRATEGIC RELEVANT	- Approve. - Consider measure for public reporting. - If considerable overlap of this measure with another KPI, consider new measure.
Total Proceeds from Sale of Hydro One (\$ billions)	\$1.8B (2016) Baseline (2015): \$0B Target (2019): \$9.0B	STRATEGIC RELEVANT	- Proposed measure is an output. - Although strategically aligned with mandate commitments, measure best suited at program level

ADDITIONAL OPPORTUNITIES AND RECOMMENDATIONS

- A KPI related to engagement with Indigenous partners (e.g., remote community connection)
- A KPI to track progress related to innovation in the sector (e.g., micro-grids, energy storage, job growth related to innovation)
- Work with other ministries to integrate measures supporting the Climate Change Action Plan
- Work with other ministries to better understand the inter-relationships of measures linked to the expansion of natural gas access, affordability, and regulations

Treasury Board/Management Board of Cabinet Assessment Note

III. Financial Summary



- The Ministry submitted a plan that is **above** its preliminary allocation after accounting for fiscally neutral adjustments and specific identified initiatives including initiatives eligible to be funded from the Greenhouse Gas Reduction Account (GGRA).

	\$M	16-17 ¹	17-18	18-19	19-20	20-21	
Preliminary Allocation							
Operating Expense		779.0	1390.6	1387.8	1317.0	1302.0	A
Capital Expense		22.0	22.2	21.3	17.5	17.0	B
Total Preliminary Allocation		801.0	1412.8	1409.1	1334.6	1319.0	C=A+B
% Growth			76.4%	(0.3%)	(5.3%)	(1.2%)	
Ministry Submission							
Operating Expense			1662.7	1487.1	1519.5	1520.8	D
Capital Expense			23.2	24.2	24.6	24.1	E
Total Ministry Submission			1685.9	1511.3	1544.2	1544.9	F=D+E
% Growth			110.5%	(10.4%)	2.2%	0.0%	
Over/(Under) Preliminary Allocation			273.1	102.2	209.6	225.9	G=F-C
Adjustment for Fiscally Neutral Items			(144.8)	(18.0)	(25.4)	(26.8)	H
Adjustment for GGRA-Eligible Items			(2.2)	(2.7)	(3.7)	(5.0)	I
Adjustment for Funding Set-Aside Pending Report Backs			-	-	-	-	J
Fiscal Impact of Ministry Submission			128.3	84.2	184.2	199.2	K=G+H+I+J
Recommendation							
Approve-In-Principle (Excludes GGRA-Eligible Items)							
Operating Expense			1397.5	1399.3	1331.7	1316.7	L
Capital Expense			23.2	24.2	24.6	24.1	M
Total Approve-In-Principle			1420.7	1423.6	1356.3	1340.8	N=L+M
% Growth			77.4%	0.2%	(4.7%)	(1.1%)	
Defer							
Operating Expense			264.3	86.8	187.8	204.1	O
- Includes GGRA-Eligible Item(s)							
Capital Expense			-	-	-	-	P
Total Defer			264.3	86.8	187.8	204.1	Q=O+P
Do Not Approve							
Operating Expense			-	-	-	-	R
Capital Expense			-	-	-	-	S
Total Do Not Approve			-	-	-	-	T=R+S
Recommendation Over/(Under) Preliminary Allocation			7.9	14.4	21.8	21.8	U=N-C-I
Adjustment for Fiscally Neutral Items			(7.8)	(14.4)	(21.8)	(21.8)	H
Adjustment for Funding Set-Aside Pending Report Backs			-	-	-	-	J
Fiscal Impact of Recommendations			0.1	0.0	0.0	0.0	V=U+H+J

¹2016-17 amount represents current approved allocation including all in-year decisions to date.

IV. Programs with Key Changes

Key decisions for the Ministry relate to the Province's Agreement-in-Principle with First Nations on Hydro One and the new Ontario Rebate for Electricity Consumers (OREC, 8% Rebate).

Summary of Programs with Key Changes

Program	Request Type	Request	Recommendation
1) Strategic Asset Management		A. Hydro One Report Back: – Implementing First Nations Agreement – Cash Contribution (Additional \$30M in 2017-18)	Defer (To In-Year) (Currently forecasts, specifics not known, manage risk from Treasury Board Contingency Fund)
		– Implementing First Nations Agreement –Conferred Benefit Amount to First Nations (\$135M in 2017-18 offset by non-cash revenue)	
2) Ontario Rebate for Electricity Consumers		B. Electricity Rate Mitigation – Rebate forecast update	Defer (To In-Year) (Currently a forecast, specifics not known, manage risks from Treasury Board Contingency Fund)
		C. Electricity Rate Mitigation – Permanent Administration FTEs and funding	Defer (To Wrap-Up)

1) Strategic Asset Management



- Established to support the Province as shareholder of Hydro One and Ontario Power Generation in regards to managing its investment and governance relationship.
- A December 2016 memo announced establishment of the new Office of Government Business Enterprises & Strategic Initiatives within the Ministry of Finance, and the moving of responsibilities and staff of the Ministry of Energy's Investment and Governance Secretariat to Finance.

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Outcome Statement

Ontario has committed to broaden the ownership of Hydro One in a staged and prudent manner over time.



Outcome Measure: Proportion of Hydro One ownership

Target Value: 40% (03/31/2019)

Statement of Result: In 2015-16, Ontario's stake in Hydro One fell to 70.1 from 84% in 2014-15.
Progress is tracking towards target 40% Ontario ownership

Output Measure: Number of shares sold to retail investors, institutional, and First Nation investors

Target Value: 356.75 million shares (03/31/2018)

Statement of Result: Cumulative number of shares sold. In 2015-16, 89.25 million shares were sold



Assessment:

- The identified performance measures are strategic and aligned to program goals and ministry mandate commitments. A similar measure related to the broadening of Hydro One ownership was also proposed as a ministry-level KPI; however, it was recommended to track at the program level given its narrow scope as an output-based metric. To enhance the relevance to decision-making, the ministry may consider refining the outcome measure to focus on impact of intended outcomes (e.g., cost efficiencies, return-on-investment).

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Summary of Key Program Requests

Total Expense		\$M	17-18	18-19	19-20	20-21	Recommendation
Current Approved Allocation			85.9	85.9	15.0	-	
A. Hydro One Report Back:							Defer (To In-Year) (Currently forecasts, specifics not known, manage from Treasury Board Contingency Fund and in-year TB/MBC submissions providing supporting specific information for funding requests)
	– Cash Contribution to First Nations	Proposed	165.0	(15.0)	(15.0)	-	
	– Conferred Benefit Amount to First Nations (Offset by a revenue entry)						
		Recommended	-	-	-	-	
	Adjustments for minor realignments	Proposed	-	-	-	-	N/A
		Recommended	-	-	-	-	
Total		Proposed	250.9	70.9	5.9	5.9	
		Recommended	85.9	85.9	15.0	-	

Assets – N/A

Key Program Requests

A. Hydro One Report Back:

- Implementing First Nations Agreement – Cash Contribution & Conferred Benefit Amount to First Nations

Request:

The Ministry is requesting incremental funding to support implementation of the government's asset strategy, including broadening ownership of Hydro One. The following requests are consistent with previous related submissions brought before TB/MBC:

- \$30M in 2017-18, above the \$15M already in allocation for the cash contribution to First Nations, based on participation level anticipated by end of 2017. The \$15M provided in 2018-19 and 2019-20 is no longer required. This would enable flowing the \$45M cash contribution in 2017-18, subject to participation levels.
- \$135M in 2017-18 to expense the difference (the conferred benefit to First Nations) between the price of the Hydro One shares sold to First Nations and their market value.



Considerations:

- December 9, 2016 memo establishing the Office of Government Business Enterprises & Strategic Initiatives and consolidates Ministry of Energy staff within the Investment & Governance Secretariat within the new Office at Ministry of Finance.
 - Discussions are on-going regarding financial transactions such as Hydro One share sales remaining with Energy or transferring to MOF. Future Treasury Board submissions on this may be joint, reflecting the Minister of Energy's position as "Shareholder" under the Electricity Act and the role of the new MOF Office and its FTE staffing in MOF.
- The Ministry is requesting changes to the timing of the up to \$45M **cash contribution to First Nations** to reflect First Nations renegotiating the terms of the agreement seeking to have full cash contribution upon closing of the transaction depending on the level of First Nation participation. The original timing contemplated the Province contributing three annual payments of up to \$15 million starting in 2017-18 following initial close of the share purchase. Revised timing contemplates a one-time contribution of up to \$45 million in 2017-18. Terms which encompass participation thresholds have not changed. The Province will contribute \$45 million if 100% of First Nations participate or \$30 million and prorated if less than 100% of First Nations participate.
 - \$30M in 2017-18, above the \$15M already in preliminary. The \$15M provided in 2018-19 and 2019-20 within the preliminary allocation would be removed.
 - The \$30M is considered a fiscal impact to the preliminary allocation as the Province is providing a loan to First Nations that prevents the upfront recognition of share sale proceeds.
- Based on advice from legal services and the Ontario Provincial Controller (OPCD), the **conferred benefit to First Nations, \$135M in 2017-18** based on estimated value conveyed per share of \$9 times maximum number of shares being purchased by First Nations 14.9M, should be expensed for transparency (Flagged in previous TB/MBC submissions). The Province's book will show both the sale of shares at book value and the additional value (Fair Market Value – Book Value), conferred to the First Nations, through a transfer payment. The additional conferred value will be offset by

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miscellaneous revenue entry, resulting in no fiscal impact on the Province's books.

- The estimate of \$9 per share for conferred value is a conservative estimate based on a share value of \$27 per share. Currently, share price is around \$23.50 that results in a conferred value of \$5.50 per share (well below \$9 per share estimate and would result in significant underspending of about \$50M if Energy is given the requested \$135M).
 - Treasury Board Secretariat is in the process of obtaining a regulation under the *Financial Administration Act* prescribing a new class of non-tax expense.
 - As noted in the June 2016 TB/MBC submission providing an update on First Nations negotiations, the conferred benefit (estimated at roughly \$150M then) is considered foregone revenue that needs to be recovered from future sales at higher prices than currently planned.
- All funding provided should include the caveat that any underspending be returned to TB/MBC.
 - The Ministry indicates the Province remains on track to generate approximately \$9 billion in gross proceeds and other revenue benefits, results to date include :
 - \$3.4B towards \$5B target to reduce debt:
 - ~\$1.0B pre-IPO Hydro One dividend and additional PILs payment
 - ~\$1.1B (book value amount) from the IPO and related share sales
 - ~\$1.3B (book value amount) from the secondary offering
 - Up to \$3.7B towards \$4B target in net revenue gains that, through the Trillium Trust, will be reinvested in infrastructure:
 - o ~\$0.8B in net proceeds raised through the IPO and related share sales
 - o ~\$0.5B gain raised through the secondary offering (Accounts for about \$0.7B subject to accounting risk)
 - o ~\$2.4B non-cash deferred tax benefit
 - The on track status factors in advice from the Provincial Controller that about \$70M of the gain in the secondary offering related to OPG participation may not be recognized in the year of transaction, and about \$50M of the gain related to acquisition of shares by separate Union Trusts.



Recommendations:

Defer to In-Year and pending discussions following the December 9, 2016 memo establishing the Office of Government Business Enterprises & Strategic Initiatives.

- Manage these requests (cash contribution, and conferred benefit) as risk corporately through the Treasury Board Contingency Fund, requiring Energy or MOF to prepare an in-year TB/MBC submission to request funding based on supportive formal details versus high level forecasts.
- Direct return of any underspending to the Treasury Board Contingency Fund.

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Operating Decisions		\$M	17-18	18-19	19-20	20-21	Recommendation
A. Hydro One Report Back:							
– Cash Contribution to First Nations	Proposed Expense	165.0	(15.0)	(15.0)			Defer (To In-Year) - (Currently forecasts, specifics not known, manage from Treasury Board Contingency Fund and in-year TB/MBC submissions providing supporting specifics for funding requests)
– Conferred Benefit Amount to First Nations (Offset by a revenue entry)							
	Recommended Expense	-	-	-			

2) Ontario Rebate for Electricity Consumers

-  In September 2016, the Board approved a suite of initiatives to provide rate relief to electricity ratepayers. One initiative provides an 8% rebate equal to the provincial portion of HST to consumers eligible for the Regulated Price Plan (RPP) and other eligible consumers as defined by legislation – this includes about five million residential consumers, small businesses and farms.

Outcome Statement

Electricity is made more affordable by Ontario Rebate for Electricity Consumers recipients during a period of rising prices as Ontario transitions to a cleaner, modern electricity system



Outcome Measure: Average reduction to electricity bills to households, small business, and farms

Target Value: 8% (03/31/2019)

Statement of Result: Baseline data and trend values are not available as the program will come into effect January 2017. Progress will be assessed in the next reporting cycle

Output Measure: Transaction time (days) to process claims and reimburse local distribution / sub-metering providers

Target Value: 5 days (03/31/2019)

Statement of Result: Baseline data and trend values are not available as the rebate program will come into effect January 2017. Baselines will be established and progress towards targets will be assessed in the next reporting cycle



Assessment:

- The identified performance measures are aligned to ministry mandate commitments and are technically sound. The ministry notes that target values will be identified following program implementation. As the program matures, the ministry may consider segmenting the outcome measure by various client types (i.e., households, small business, and farms) and geographic region as this could signal challenges for any particular group or region.

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Summary of Key Program Requests

Total Expense		\$M	17-18	18-19	19-20	20-21	Recommendation
Current Approved Allocation			1006.0	1004.0	1004.0	1004.0	
	B. Electricity Rate Mitigation: Rebate forecast update	Proposed	94.0	96.0	196.0	196.0	Defer (To In-Year) (Currently a forecast, specifics not known, manage risk from Treasury Board Contingency Fund)
		Recommended	-	-	-	-	
	C. Electricity Rate Mitigation: Permanent Administration FTEs (4) and funding	Proposed	3.1	3.1	3.1	3.1	Defer (To Wrap-Up)
		Recommended	-	-	-	-	
	Adjustments for minor realignments	Proposed	-	-	-	-	N/A
		Recommended	-	-	-	-	
Total		Proposed	1103.1	1103.1	1207.1	1207.4	
		Recommended	1006.0	1004.0	1004.0	1004.0	

Key Program Requests

B. Forecast update of payments to eligible consumers under the Ontario Rebate for Electricity Consumers (OREC)

Request:

- The Ministry is requesting an expenditure increase to reflect the latest forecast based on updated methodology and improved data inputs.



Considerations:

- This is an increase to the amounts provided in Energy's preliminary allocation that match the multi-year amounts from the September 2016 TB/MBC item approving electricity price mitigation initiatives.
- Electricity consumers will receive the 8% benefit directly on their bill from their electricity vendor. The distributors and sub-meterers then submit claims for the month through the IESO. A total monthly invoice is issued to the Ministry of Energy by the IESO, which is then paid by the Ontario Financing Authority (OFA), on behalf of the Ministry for Energy. Once the OFA makes the payment, the IESO reimburses distributors and sub-meterers. The Ministry of Energy will enter into Memorandums of Understanding (MOU) with the IESO and OFA to clearly define each organizations respective role in the delivery of the Rebate.
- The ministry is providing a revised price forecast that is based on projected electricity prices, applied to estimated consumption each year by residential, farm, and small businesses. There is a fiscal risk exposure as actual fiscal cost will depend on actual prices, including existing and new retailer contract prices and numbers, and actual consumption by eligible consumers, which will be variable.
- OREC does not cap eligible monthly consumption, versus what was done for the Ontario Clean Energy Benefit.
- No offset has been identified. As actual costs are likely to deviate from projections, based on actual price and consumption levels, there is a choice for TB/MBC – to manage the open-ended OREC risk within the Ministry's allocation, by providing the Ministry with incremental funding to match its updated forecasts, or centrally through the Treasury Board Contingency fund as done for forest fire fighting and business risk management income stabilization support for farmers.
- The Ministry notes the risk of insufficient funds for OREC nearing year-end and as mitigation indicates needing a flexible and quick method for obtaining additional funds, or otherwise risk late payment to the IESO, LDCs and sub-metering providers, which could delay the availability of the rebate to customers or cause significant working capital issues for these entities.
 - Providing the funding does not eliminate the risk, the Ministry may still need to draw, a lower amount, from the Treasury Board Contingency Fund.

Recommendations:

Defer to In-Year – The request is currently a forecast, a risk management approach could be taken where the risks are managed from the Treasury Board Contingency Fund.

C. Electricity Rate Mitigation – Permanent FTEs and funding to administer the Ontario Rebate for Electricity Consumers (OREC)

Request:

- The Ministry is requesting funding of \$3.1M per year and four permanent FTEs, including funding of \$0.4M in Salary and Wages, to cover program implementation and delivery of the OREC.



Considerations:

- The Ministry indicates successful implementation of the Ontario Rebate for Electricity Consumers, a permanent program, will require additional permanent staff resources in the Ministry of Energy to support new government policy and operational responsibilities.
- The ministry's partners in this initiative – the IESO, OFA and the Ministry of Finance – are not providing program administration support. Rather, the IESO and OFA are only making payments on behalf of the Ministry of Energy, and the Ministry of Finance is tasked with auditing entities post payment.
- The Ministry is requesting a total of 4 new permanent FTEs starting in 2017-18 and onwards. The FTEs requested will cover a variety of responsibilities critical to the success of the Ontario Rebate for Electricity Consumers, including:
 - Policy and program development, providing direction to 72 local distribution companies (LDCs) and 10 Independent Power Authorities to develop specific payment and billing mechanisms, in addition to managing the relationships with service providers to ensure that any identified issues are addressed and resolved.
 - Financial support to track and monitor up to 400 data elements each month in order to know how much funding has been provided and to what entities, and tracking LDC payments and settlement statements based on information received from the IESO.
 - Communications and marketing support to handle internal and external program stakeholders.
- The \$3.1M per year breaks down as follows:
 - \$0.6M related to the 4 FTEs, including \$0.4M in Salary and Wages, remainder is primarily Services – Office operations.
 - \$2.5M per year in Services to cover program implementation and delivery of the Ontario Rebate for Electricity Consumers.
- The OREC admin resources request is similar as for the Ontario Clean Energy Benefit (OCEB ran from January 1, 2011 until December 31, 2015, the Ministry continues to wrap-up the program – targeting September 2017 to deal with trailing liabilities).
 - The Ministry's OCEB request for 8 FTEs was not approved, however funding was provided – \$2.9M in 2011-12, \$2.8M in 2012-13, \$2.8M in 2013-14 and on-going for the duration of OCEB. However, 2012-13 Results-based Planning minutes note a realignment of this funding to a different Vote/Item; and a reduction in operating expense through internal efficiencies (Expense Levers) was included, leaving only \$1.2M for 2013-14 and \$1.9M for 2014-15 and on-going for the duration of OCEB. There is no OCEB admin funding as of 2017-18.
 - Given similarities between OREC and OCEB, OREC funding for year 1, 2017-18 could be as provided at \$3.1M and then flatlined at lower level of \$1.9M per year from year two onwards.
- As of December 2016, the Ministry has a vacancy rate of 5.6% or 11.61 positions

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Recommendations:

- Defer to Wrap-Up – Request for FTEs and funding above preliminary allocation with no offsets identified.

Operating Decisions		\$M	17-18	18-19	19-20	20-21	Recommendation
B. Electricity Rate Mitigation:	Proposed Expense		94.0	96.0	196.0	196.0	Defer (To In-Year)
Rebate forecast update	Recommended Expense		-	-	-	-	
Defer to In-Year – manage risk from the Treasury Board Contingency Fund.							
C. Electricity Rate Mitigation:	Proposed Expense		3.1	3.1	3.1	3.1	Defer (To Wrap-Up)
Permanent Administration FTEs and funding	Recommended Expense		-	-	-	-	
Defer to Wrap-Up – Request for FTEs and funding above preliminary allocation with no offsets identified.							

Given similarities between OREC and OCEB, OREC funding for year 1, 2017-18 could be as provided at \$3.1M and then flatlined at lower level of \$1.9M per year from year two, 2018-19, onwards.

FTE Decisions		(# of FTEs)	17-18	18-19	19-20	20-21	Recommendation
C.	Electricity Rate Mitigation:	Proposed New FTEs (P)	4.0	4.0	4.0	4.0	Defer (To Wrap-Up)
	Permanent Administration						
	FTEs and funding	Recommended FTEs	-	-	-	-	
Defer to Wrap-Up – Request for FTEs and funding above preliminary allocation with no offsets identified.							

Request for additional FTEs to administer OCEB was not approved. The Ministry notes staff held other files and responsibilities in addition to administering OCEB (no staff dedicated solely to OCEB).

V. Programs without Key Changes

Summary of Programs without Key Changes

Total Expense	\$M	Current Approved Allocation				Recommended Allocation			
		17-18	18-19	19-20	20-21	17-18	18-19	19-20	20-21
Approve-In-Principle - Status Quo									
Long-Term Energy Plan Program Initiatives (TP)		3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Northern Ontario Energy Credit (TP)		26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Ministry Admin (Legal Services Branch)		3.3	3.3	3.3	5.2	3.3	3.3	3.3	3.3
– Transfer of one FTE to MAG for Legal Services support for 2017-18 only.									
Ministry Admin (MO, DMO)		2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Approve-In-Principle – Minor Changes to Program Allocation									
Electricity and Natural Gas Sector Regulation (Ontario Energy Board)		39.4	39.8	39.8	39.2	45.7	46.0	46.0	45.5
– Change in agency expense offset by revenue.									
Electricity and Natural Gas Sector Regulation (Independent Electricity System Operator)		215.6	213.8	210.2	210.2	218.4	222.9	225.8	225.8
– Change in agency expense offset by revenue.									
Energy Policy Development and Implementation		23.9	23.9	23.0	23.0	21.1	21.1	21.1	21.1
– Assigned the \$1.9M on-going savings target.									
– Transfer of two FTEs to MGCS for EWRB project for 2017-18 only.									
– Transfer of the five temporary FTEs and funding provided for the Investment & Governance Secretariat to MOF.									
Ministry Admin (Communication Services Branch)		4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Ministry Admin (Corporate Services Branch)		5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2

VI. New Priority Initiatives (Scalable Options) – N/A

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VII. Greenhouse Gas Reduction Account (GGRA) Decisions

GGRA Operating Initiative	Eligible for GGRA	Description	Initiative Cost \$M			
			17-18	18-19	19-20	20-21
Free Overnight Charging Program for Electric Vehicles (EVOCIP), GGRA 2016-17 #10	☒ Yes ☐ No	Ontarians will be offered rebates against the cost of overnight electricity if they charge electric vehicles (EVs) overnight. This initiative is expected to reduce GHGs from automobiles by encouraging greater acquisition and use of EVs, and encouraging EV owners to shift to charging during off-peak hours, reducing peaking demand (which is typically when natural gas electricity generation plants are used to meet power demand). The Ministry indicates offering “free overnight charging”, based upon average daily EV charging rates and anticipated EV adoption, the \$15 million in funding announced in CCAP would be insufficient. The Ministry estimates that a 4-year program capped at \$15 million with comprehensive coverage of EV owners across Ontario would enable an annual rebate of \$105. Since specific program design has not been determined yet, the Ministry estimates administration costs of about 10% of total program costs, or about \$1.5 million, bringing total program costs to \$15 million. Administration costs are assumed to be front-loaded, with annual processing costs of about \$200,000.	2.2	2.7	3.7	5.0

VIII. Ministry Performance Measurement System

Overall Assessment of Performance Measurement System

Overall, the ministry has reported measures demonstrating good potential to inform a strong performance measurement system. Although some measures are more output-focused, and many require additional details or methodological refinement, they are well aligned to the ministry goals, priorities, and mandate commitments. Measures are focused on conserving energy, demonstrating cost efficiencies, and disseminating knowledge to the general public. To ensure the performance measurement system reaches its potential, there is room for refinement of measures to reflect an outcome-focus and to maximize value to inform decisions related to ministry programs, policies, and/ or goals.

The ministry's proposed KPIs suggest that:

- Greenhouse gas emissions from Ontario's electricity sector decreased from 31.20Mt of CO₂ in 2008-09 to 9.2Mt of CO₂ in 2014-15.
- In 2015, a total of 9MW of net metered renewable energy generation capacity was installed in Ontario.
- From 2004 to 2014, Ontarians conserved 9.9 Terawatt Hours (TWh) of electricity (enough to power a city the size of Ottawa in 2014).

The ministry has set ambitious targets aligning well with its Long-Term Energy Plan outlining ways to offset growth in electricity demand. While most of the proposed KPIs are technically sound with data to report, and many have trend data to allow for careful assessment of target values, areas for refinement have been identified. For example, the ministry should consider moving the measure related to broadening the ownership of Hydro One to the program level.

There may be opportunities for KPI development or revision related to engagement of Indigenous partners (e.g., remote community connection), and innovation within the sector (e.g., energy storage, micro-grids, or growth). Further, the ministry could work with other ministries to better understand the inter-relationships of measures related to the expansion of natural gas access, affordability, and regulations.

Generally, the ministry could review the program inventory and refine as needed for the next reporting period to ensure coherence of the inventory and – ultimately - to contribute to a strong performance measurement system.

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Key Performance Indicator (KPI)/ Unit of Measure	Outcome Statement	Key Ministry Programs Contributing to the Outcome Being Assessed by KPI	Baseline Value and Date	Current Value and Date (if not baseline)	Target Value and Date
Continue to increase energy efficiency and conservation in Ontario Cumulative reduction in electricity consumption, terawatt hours (TWh)	Conservation is the cleanest and most cost-effective energy resource and offers consumers a way to reduce their energy bills and reduces the need to build new electricity infrastructure.	P29001 - Electricity and Natural Gas Sector Regulation P29004 - Long-Term Energy Plan Program Initiatives	0.00 TWh 2005	9.90 TWh 2014	30.00 TWh 2032
Maintaining low electricity sector emissions in support of the province's climate change targets CO2 emission levels in megatonnes (Mt) as weighted average Apr-Dec Y1 (75%) + Jan-Mar Y2 (25%)	By refurbishing emission-free nuclear capacity and sourcing clean renewable power, Ontario will maintain a low emissions profile and help achieve the province's Greenhouse Gas (GHG) emission reduction targets.	P29002 - Electricity Market Operations & System Planning P29004 - Long-Term Energy Plan Program Initiatives	31.20 Mt 03/31/2008	7.00* Mt 03/31/2016 *Preliminary estimate - not weighted	8.03 Mt 03/31/2032
Minimize annual growth of electricity costs to consumers and business Dollars (\$) spent by the average consumer in the electricity sector	Through energy conservation efforts and support from government regulation, citizens, particularly in rural and First Nation communities, will prosper when they are not burdened by rising electricity costs.	P29001 - Electricity and Natural Gas Sector Regulation P29004 - Long-Term Energy Plan Program Initiatives P29012 - Ontario Rebate for Electricity Consumers Program	\$141.50* 03/31/2016 *Weighted average of actual 2015 and forecast 2016.	N/A	<\$188.00 03/31/2032
Proceeds raised from sale of Hydro One against targets Earnings in billions of dollars	Broadening the ownership of Hydro One raising funds for both the Trillium Trust investments in infrastructure and to pay down debt.	P29011 - Strategic Asset Management & Transformation	0.00 03/31/2015	\$1.80B 03/31/2016	\$9.00B* 03/31/2019 *Total net gain

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Key Performance Indicator (KPI)/ Unit of Measure	Outcome Statement	Key Ministry Programs Contributing to the Outcome Being Assessed by KPI	Baseline Value and Date	Current Value and Date (if not baseline)	Target Value and Date
Support transition from standard offer procurements to market based net metering program for customer sited renewables Cumulative installed capacity in megawatts (MW)	Transitioning the deployment of renewable generation to the updated net metering regulation will enable individuals and organizations to generate their own electricity and reduce their bills while contributing to Ontario's clean energy economy and Climate Change Action Plan.	P29002 - Electricity Market Operations & System Planning P29004 - Long-Term Energy Plan Program Initiatives	6.40 MW 03/31/2010	9.10 MW 03/31/2015	45.00 MW 03/31/2019

The table below provides further detail of the assessment of the Ministry-level KPIs.

Key Performance Indicator (KPI)	Strategic Importance	Relevance for Decision Making	Technical Standards
Continue to increase energy efficiency and conservation in Ontario	Strategic Importance & Alignment: ☒ Mandate Commitments ☒ Ministry Strategy/ Priorities ☐ Horizontal and/ or transformational linkage This measure is aligned to ministry goals and mandate commitments related to demonstrating leadership in setting energy efficiency standards, as well as promoting energy conservation.	Relevance for Decision Making: ☒ Improved outcomes ☒ Cost efficiencies/ cost avoidance ☐ Contribute other important information This KPI is related to conservation and reducing costs associated with energy use for Ontarians. The measure is relevant for monitoring reduced consumption as an outcome as well as to inform cost efficiency of the energy sector through reduced demand.	Although the KPI is output-based, its focus on improved energy conservation enhances its utility for performance measurement and monitoring. Based on information available as well as trend data, the identified target appears ambitious and potential impact of reaching target is clear.
Maintaining low electricity	Strategic Importance & Alignment:	Relevance for Decision Making:	The measure is a weighted average of

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Key Performance Indicator (KPI)	Strategic Importance	Relevance for Decision Making	Technical Standards
sector emissions in support of the province's climate change targets	☒ Mandate Commitments ☒ Ministry Strategy/ Priorities [Describe]: ☐ Horizontal and/ or transformational linkage This measure is aligned with mandate commitments related to continued leadership in setting energy efficiency standards, as well as to the commitment to promote energy conservation, and to help customers reduce their energy use. There is an opportunity to work with other ministries to ensure horizontal alignment related to the Climate Change Action Plan.	☒ Improved outcomes ☐ Cost efficiencies/ cost avoidance ☐ Contribute other important information This measure is focused on improved outcome for Ontarians by reductions to Greenhouse Gas emissions.	measured levels of CO₂ emissions. The target is linked to the Long Term Energy Plan, but does not appear to be a stretch target. The ministry may want to consider revising the target value should trend data indicate a more ambitious goal is feasible.
Minimize annual growth of electricity costs to consumers and business	Strategic Importance & Alignment: ☒ Mandate Commitments ☒ Ministry Strategy/ Priorities ☒ Horizontal and/ or transformational linkage Mitigating the effects of the impact of electricity prices on Ontarians is a key priority for the government. This measure has strong ties to the Long Term Energy Plan (LTEP) as well as explicit mention of the ministry goal to decrease electricity costs to rural areas (including First Nations).	Relevance for Decision Making: ☒ Improved outcomes ☒ Cost efficiencies/ cost avoidance ☐ Contribute other important information This measure is focused on improved outcomes for Ontarians related to decreased electricity costs. Its relevance is enhanced with its ability to address cost avoidance for consumers – though not necessarily the province. The measure is intended to include a particular focus on rural and First Nations communities. To the extent that this bears out in reporting, it will enhance the relevance of the KPI.	The ministry noted that target value and metrics would be further developed in the next reporting cycle. While the measure is aligned with the commitment to mitigate the impact of electricity prices on consumers and businesses, the measure could be refined to focus on particular activities or programs that may have a differential influence on costs. Alternatively, it could be strengthened if segmented by region (i.e., rural/ urban), for example. The outcome statement refers to energy conservation efforts supporting citizens, particularly in rural and First Nation communities, but it is not clear how this measure - in isolation - may do that.
Proceeds raised from sale of Hydro One against targets	Strategic Importance & Alignment: ☒ Mandate Commitments ☒ Ministry Strategy/ Priorities ☐ Horizontal and/ or transformational linkage	Relevance for Decision Making: ☐ Improved outcomes ☒ Cost efficiencies/ cost avoidance ☐ Contribute other important information	Given its strong alignment to the ministry program related to strategic assets, this measure should be revised to be more outcome-focused and considered at the

Treasury Board/Management Board of Cabinet Assessment Note

Key Performance Indicator (KPI)	Strategic Importance	Relevance for Decision Making	Technical Standards
	Although the KPI is output-focused, it aligns to ministry priorities and mandate commitments related to driving efficiencies, generating savings, and broadening ownership of Hydro One.	Although focused on output, this measure has the potential to provide an indication of cost efficiencies if combined with other performance measures related to Trillium Trust investments in infrastructure and/ or debt payment. As described, the output-based measure is narrow in scope, limiting its relevance for decision making.	program level.
Support transition from standard offer procurements to market based net metering program for customer sited renewables	Strategic Importance & Alignment: ☒ Mandate Commitments ☒ Ministry Strategy/ Priorities ☒ Horizontal and/ or transformational linkage This measure is aligned to ministry priorities, goals and mandate commitments. There may also be opportunities for horizontal alignment of measures related to the Climate Change Action Plan.	Relevance for Decision Making: ☐ Improved outcomes ☐ Cost efficiencies/ cost avoidance ☒ Contribute other important information This measure will contribute information for decision-makers related to clean energy, and progress towards targets promised as part of the Long-Term Energy Plan. The measure could be more valuable for decision-makers if it was refined to assess impact.	Although this KPI is output-focused, the indicator is strategically aligned to key ministry goals and priorities. The ministry may consider refinement of the measure to be more outcome-focused (e.g., proportion of all energy generation in the province that is net metered renewable). The ministry should ensure any overlap between this measure and other KPIs is minimized. If considerable overlap is noted, a new measure should be considered.

Program Assessment

The ministry submitted program measures for five of seven programs outlined in the ministry program inventory. As noted by the ministry, one program was sunset in 2015-16, and another program fell beyond the ministry's purview (all admin and funding through MOF). All five programs are associated with at least one KPI, and the PRRT programs are identified as aligning with the following Multi-year Priority Outcomes:

- Leader on Environmental Sustainability & Climate Change Mitigation
- Modernized Infrastructure, Trans. Networks
- Reduced Poverty, Inequality, and Exclusion

The identified program level measures are generally aligned with program and ministry priorities including the reporting of two efficiency measures to assess program delivery. The ministry may consider a thoughtful refinement of the program level measures to ensure they

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contribute relevant information, make most use of available data, and to ensure they are useful to drive continuous improvement within the ministry, especially given the ministry's ambitious goals and targets.

IX. FTE Summary



The table below shows the request for four permanent FTEs starting in 2017-18 for implementation and administration of the Ontario Rebate for Electricity Consumers.

Temporary transfers in 2017-18 to MAG for on-going energy related work and to MGCS to support the Energy and Water Reporting and Benchmarking Project are also shown. Also included is the permanent transfer of five temporary FTEs from Energy to MOF related to the Investment and Governance Secretariat.

	16-17 ¹	17-18	18-19	19-20	20-21	
Preliminary FTE Allocation²						
Base	208.61	209.61	209.61	204.61	204.61	A
Total In-Year Permanent	0.00	0.00	0.00	0.00	0.00	B
Total In-Year Temporary	0.00	0.00	0.00	0.00	0.00	C
Total Inter-Ministry Transfers (Sending: Permanent-/Temporary-) (Receiving: Permanent+/Temporary+)	0.00	0.00	0.00	0.00	0.00	D
Total Preliminary FTE Allocation³	208.61	209.61	209.61	204.61	204.61	E=A+B+C+D
Ministry FTE Submission²						
Permanent FTEs		4.00	4.00	4.00	4.00	F
Temporary FTEs		0.00	0.00	0.00	0.00	G
Inter-Ministry Transfers – FTEs (Sending: Permanent-/Temporary-) (Receiving: Permanent+/Temporary+)		(8.00)	(5.00)	0.00	0.00	H
Total Ministry FTE Submission		(4.00)	(1.00)	4.00	4.00	I= F+G+H
Over (Under) Preliminary FTE Allocation		(15.61)	(12.61)	(7.61)	(7.61)	J
FTE Recommendation²						
Approve-In-Principle						
Permanent FTEs		0.00	0.00	0.00	0.00	K
Temporary FTEs		0.00	0.00	0.00	0.00	L
Inter-Ministry Transfers – FTEs (Sending: Permanent-/Temporary-) (Receiving: Permanent+/ Temporary+)		(8.00)	(5.00)	0.00	0.00	M
Revised FTE Allocation		201.61	204.61	204.61	204.61	N=E+K+L+M
Total FTEs Defer		4.00	4.00	4.00	4.00	O
Total FTEs Do Not Approve		0.00	0.00	0.00	0.00	P

¹2016-17 number includes all in-year decisions to date.

²Numbers are “all up” (e.g., if the request is for X permanent FTEs in 2017-18, the same number of X FTEs will show in each year)

³Staff Strength is under Preliminary FTE Allocation by 11.61 FTE as of December 2016

X. Appendices

- 1. Legend: Icons**
- 2. Summary of Programs**
- 3. Program Changes**
- 4. FTE Schedule**
- 5. Technical & Admin. Decisions – N/A**
- 6. 10-year capital expense and asset plans**
- 7. [Ministry-reported Risks]**
- 8. Other Supporting Schedules**

Appendix 1: Legend – Icons



Information



Transformation



Key Performance Indicators



Key Risks



Funding



Scalable options provided



Central Agency Analysis/
Considerations

Key Request Types

Financial



Increase in funding above allocation



Decrease in funding/savings



Release funding set aside for out-year
impacts of in-year approvals



Increase in funding offset by revenue



Inter-ministry transfer of
funding/resources



Internal realignment/funding offset
from within allocation



Re-profile funding

Other



Resources/FTEs



I&IT



Negotiating mandate



Consultation



Announce

Summary of Programs

Appendix 2

Planning Cycle: 2017-18 Planning Cycle

Account Type: Operating Expense | Capital Expense | TOTAL EXPENSE

My Number: Approved | Tracking

Amount Type: CURRENT BUCKET

Scope: External Program | Internal Function

PRRT BASE

2017-18

2018-19

2019-20

2020-21

Energy

Operating Expense

External Program	330.5002	329.7366	259.8967	259.8966
Ministry Unassigned Savings Target	-1.9822	-1.9822	-1.9822	-1.9822
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	38.0141	38.3040	38.4641	38.4640
Strategic Asset Management & Transformation	70.0000	70.0000		
Electricity Market Operations & System Planning (Delivered by the IESO)	195.0209	193.9674	193.9674	193.9674
Long-Term Energy Plan Program Initiatives (TP)	3.4474	3.4474	3.4474	3.4474
Northern Ontario Energy Credit Program (TP)	26.0000	26.0000	26.0000	26.0000
Internal Function	39.0876	39.0876	38.1576	38.1576
Energy Policy Development and Implementation	23.9237	23.9237	22.9937	22.9937
Ministry Admin (Communication Services Branch)	4.1186	4.1186	4.1186	4.1186
Ministry Admin (Corporate Services Division)	5.2215	5.2215	5.2215	5.2215
Ministry Admin (Legal Services Branch)	3.2549	3.2549	3.2549	3.2549
Ministry Admin (MO, DMO)	2.5689	2.5689	2.5689	2.5689

Capital Expense

External Program	22.2162	21.3330	17.5371	16.9603
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	1.3841	1.4819	1.2860	0.7092

Summary of Programs

Appendix 2

PRRT BASE	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Energy				
Capital Expense				
Electricity Market Operations & System Planning (Delivered by the IESO)	20.8321	19.8511	16.2511	16.2511
Internal Function	0.0020	0.0020	0.0020	0.0020
Energy Policy Development and Implementation	0.0020	0.0020	0.0020	0.0020
TOTAL EXPENSE				
External Program	352.7164	351.0696	277.4338	276.8569
Ministry Unassigned Savings Target	-1.9822	-1.9822	-1.9822	-1.9822
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	39.3982	39.7859	39.7501	39.1732
Strategic Asset Management & Transformation	70.0000	70.0000		
Electricity Market Operations & System Planning (Delivered by the IESO)	215.8530	213.8185	210.2185	210.2185
Long-Term Energy Plan Program Initiatives (TP)	3.4474	3.4474	3.4474	3.4474
Northern Ontario Energy Credit Program (TP)	26.0000	26.0000	26.0000	26.0000
Internal Function	39.0896	39.0896	38.1596	38.1596
Energy Policy Development and Implementation	23.9257	23.9257	22.9957	22.9957
Ministry Admin (Communication Services Branch)	4.1186	4.1186	4.1186	4.1186
Ministry Admin (Corporate Services Division)	5.2215	5.2215	5.2215	5.2215
Ministry Admin (Legal Services Branch)	3.2549	3.2549	3.2549	3.2549
Ministry Admin (MO, DMO)	2.5689	2.5689	2.5689	2.5689
Total Programs	391.8060	390.1592	315.5934	315.0165
Annual % Growth		-0.42 %	-19.11 %	-0.18 %

Summary of Programs

Appendix 2

CHANGES	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Energy				
Operating Expense				
External Program	1,030.7574	1,033.3702	1,035.6297	1,020.6298
Ministry Unassigned Savings Target	1.9306	1.9306	1.9306	1.9306
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	6.4999	6.4000	6.2399	6.2400
Strategic Asset Management & Transformation	15.0000	15.0000	15.0000	
Electricity Market Operations & System Planning (Delivered by the IESO)	1.3269	6.0396	8.4592	8.4592
Ontario Rebate for Electricity Consumers Program (TP)	1,006.0000	1,004.0000	1,004.0000	1,004.0000
Internal Function	(2.8853)	(2.8853)	(1.9553)	(1.9553)
Energy Policy Development and Implementation	-2.8606	-2.8606	-1.9306	-1.9306
Ministry Admin (Communication Services Branch)	-0.0150	-0.0150	-0.0150	-0.0150
Ministry Admin (Corporate Services Division)	-0.0097	-0.0097	-0.0097	-0.0097
Capital Expense				
External Program	1.0215	2.9120	7.0758	7.1290
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	-0.1603	-0.1604	0.0001	0.0533
Electricity Market Operations & System Planning (Delivered by the IESO)	1.1818	3.0724	7.0757	7.0757
TOTAL EXPENSE				
External Program	1,031.7789	1,036.2822	1,042.7055	1,027.7588
Ministry Unassigned Savings Target	1.9306	1.9306	1.9306	1.9306
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	6.3396	6.2396	6.2400	6.2933
Strategic Asset Management & Transformation	15.0000	15.0000	15.0000	
Electricity Market Operations & System Planning (Delivered by the IESO)	2.5087	9.1120	15.5349	15.5349

Summary of Programs

Appendix 2

<u>CHANGES</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Energy				
TOTAL EXPENSE				
Ontario Rebate for Electricity Consumers Program (TP)	1,006.0000	1,004.0000	1,004.0000	1,004.0000
Internal Function	(2.8853)	(2.8853)	(1.9553)	(1.9553)
Energy Policy Development and Implementation	-2.8606	-2.8606	-1.9306	-1.9306
Ministry Admin (Communication Services Branch)	-0.0150	-0.0150	-0.0150	-0.0150
Ministry Admin (Corporate Services Division)	-0.0097	-0.0097	-0.0097	-0.0097
Total Programs	1,028.8936	1,033.3969	1,040.7502	1,025.8035
Annual % Growth		0.44 %	0.71 %	-1.44 %

Summary of Programs

Appendix 2

RECOMMENDED

Energy

Operating Expense

External Program	1,361.2576	1,363.1068	1,295.5264	1,280.5264
Ministry Unassigned Savings Target	-0.0516	-0.0516	-0.0516	-0.0516
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	44.5140	44.7040	44.7040	44.7040
Strategic Asset Management & Transformation	85.0000	85.0000	15.0000	
Electricity Market Operations & System Planning (Delivered by the IESO)	196.3478	200.0070	202.4266	202.4266
Long-Term Energy Plan Program Initiatives (TP)	3.4474	3.4474	3.4474	3.4474
Northern Ontario Energy Credit Program (TP)	26.0000	26.0000	26.0000	26.0000
Ontario Rebate for Electricity Consumers Program (TP)	1,006.0000	1,004.0000	1,004.0000	1,004.0000
Internal Function	36.2023	36.2023	36.2023	36.2023
Energy Policy Development and Implementation	21.0631	21.0631	21.0631	21.0631
Ministry Admin (Communication Services Branch)	4.1036	4.1036	4.1036	4.1036
Ministry Admin (Corporate Services Division)	5.2118	5.2118	5.2118	5.2118
Ministry Admin (Legal Services Branch)	3.2549	3.2549	3.2549	3.2549
Ministry Admin (MO, DMO)	2.5689	2.5689	2.5689	2.5689

Capital Expense

External Program	23.2377	24.2450	24.6129	24.0893
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	1.2238	1.3215	1.2861	0.7625
Electricity Market Operations & System Planning (Delivered by the IESO)	22.0139	22.9235	23.3268	23.3268
Internal Function	0.0020	0.0020	0.0020	0.0020
Energy Policy Development and Implementation	0.0020	0.0020	0.0020	0.0020

Summary of Programs

Appendix 2

<u>RECOMMENDED</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Energy				
TOTAL EXPENSE				
External Program	1,384.4953	1,387.3518	1,320.1393	1,304.6157
Ministry Unassigned Savings Target	-0.0516	-0.0516	-0.0516	-0.0516
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	45.7378	46.0255	45.9901	45.4665
Strategic Asset Management & Transformation	85.0000	85.0000	15.0000	
Electricity Market Operations & System Planning (Delivered by the IESO)	218.3617	222.9305	225.7534	225.7534
Long-Term Energy Plan Program Initiatives (TP)	3.4474	3.4474	3.4474	3.4474
Northern Ontario Energy Credit Program (TP)	26.0000	26.0000	26.0000	26.0000
Ontario Rebate for Electricity Consumers Program (TP)	1,006.0000	1,004.0000	1,004.0000	1,004.0000
Internal Function	36.2043	36.2043	36.2043	36.2043
Energy Policy Development and Implementation	21.0651	21.0651	21.0651	21.0651
Ministry Admin (Communication Services Branch)	4.1036	4.1036	4.1036	4.1036
Ministry Admin (Corporate Services Division)	5.2118	5.2118	5.2118	5.2118
Ministry Admin (Legal Services Branch)	3.2549	3.2549	3.2549	3.2549
Ministry Admin (MO, DMO)	2.5689	2.5689	2.5689	2.5689
Total Programs	1,420.6996	1,423.5561	1,356.3436	1,340.8200
Annual % Growth		0.20 %	-4.72 %	-1.14 %

Summary of Programs

Appendix 2

Planning Cycle: 2017-18 Planning Cycle
 Account Type: Operating Assets | Capital Assets
 My Number: Approved | Tracking
 Amount Type: CURRENT BUCKET
 Scope: External Program | Internal Function

<u>PRRT BASE</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Energy				
Operating Assets				
Capital Assets				
External Program	24.0750	23.7850	23.6250	23.6250
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	0.9750	0.6850	0.5250	0.5250
Electricity Market Operations & System Planning (Delivered by the IESO)	23.1000	23.1000	23.1000	23.1000
Internal Function	0.0010	0.0010	0.0010	0.0010
Energy Policy Development and Implementation	0.0010	0.0010	0.0010	0.0010
Total Programs	24.0760	23.7860	23.6260	23.6260
Annual % Growth		-1.20 %	-0.67 %	0.00 %

Summary of Programs

Appendix 2

<u>CHANGES</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Energy				
Operating Assets				
Capital Assets				
External Program	3.4605	(0.3620)	(0.2020)	(0.2020)
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	-0.2620	-0.2620	-0.1020	-0.1020
Electricity Market Operations & System Planning (Delivered by the IESO)	3.7225	-0.1000	-0.1000	-0.1000
Total Programs	3.4605	-0.3620	-0.2020	-0.2020
Annual % Growth		-110.46 %	-44.20 %	0.00 %

Summary of Programs

Appendix 2

<u>RECOMMENDED</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Energy				
Operating Assets				
Capital Assets				
External Program	27.5355	23.4230	23.4230	23.4230
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	0.7130	0.4230	0.4230	0.4230
Electricity Market Operations & System Planning (Delivered by the IESO)	26.8225	23.0000	23.0000	23.0000
Internal Function	0.0010	0.0010	0.0010	0.0010
Energy Policy Development and Implementation	0.0010	0.0010	0.0010	0.0010
Total Programs	27.5365	23.4240	23.4240	23.4240
Annual % Growth		-14.93 %	0.00 %	0.00 %

Planning Cycle: 2017-18 Planning Cycle
Phases: PRRT Based Outlook
My Number: Approved | Tracking
Amount Type: CURRENT BUCKET
Scope: External Program | Internal Function

	2017-18	2018-19	2019-20	2020-21
Ministry of Energy				
Operating Expense				
External Program				
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)				
Base				
D0034770 - Base - Operating Expense - \$	38.0141	38.3040	38.4641	38.4640
Other Fiscally Neutral Transactions				
D0042543 - ENE: Consolidation Adjustment - Ontario Energy Board	5.3521	6.4000	6.2399	6.2400
PRRT				
D0043775 - ENE: Consolidation - OEB Amt no Rev offset	1.1478			
Recommended Program Allocation	44.5140	44.7040	44.7040	44.7040
Annual % Growth		0.43%	0.00%	0.00%
Electricity Market Operations & System Planning (Delivered by the IESO)				
Base				
D0034770 - Base - Operating Expense - \$	195.0209	193.9674	193.9674	193.9674
Other Fiscally Neutral Transactions				
D0042558 - ENE: Consolidation Adjustment - Independent Electricity System Operator	1.3269	6.0396	8.4592	8.4592
Recommended Program Allocation	196.3478	200.0070	202.4266	202.4266
Annual % Growth		1.86%	1.21%	0.00%
Long-Term Energy Plan Program Initiatives (TP)				
Base				
D0034770 - Base - Operating Expense - \$	3.4474	3.4474	3.4474	3.4474
Recommended Program Allocation	3.4474	3.4474	3.4474	3.4474
Annual % Growth		0.00%	0.00%	0.00%
Ministry Unassigned Savings Target				
Base				
D0034770 - Base - Operating Expense - \$	(1.9822)	(1.9822)	(1.9822)	(1.9822)
PRRT				
D0042979 - ENE: Ministry Savings Target	1.9306	1.9306	1.9306	1.9306
Recommended Program Allocation	(0.0516)	(0.0516)	(0.0516)	(0.0516)
Annual % Growth		0.00%	0.00%	0.00%
Northern Ontario Energy Credit Program (TP)				
Base				
D0034770 - Base - Operating Expense - \$	26.0000	26.0000	26.0000	26.0000
Recommended Program Allocation	26.0000	26.0000	26.0000	26.0000
Annual % Growth		0.00%	0.00%	0.00%

	2017-18	2018-19	2019-20	2020-21
Ministry of Energy				
Operating Expense				
Ontario Rebate for Electricity Consumers Program (TP)				
In Year Multi-Year Approvals				
D0039520 - ENE: Electricity Price Mitigation	1,006.0000	1,004.0000	1,004.0000	1,004.0000
Recommended Program Allocation	1,006.0000	1,004.0000	1,004.0000	1,004.0000
Annual % Growth		-0.20%	0.00%	0.00%
Strategic Asset Management & Transformation				
Allocation Adjustments				
D0039065 - MENE: First Nations H1 Ownership	15.0000	15.0000	15.0000	
Base				
D0034770 - Base - Operating Expense - \$	70.0000	70.0000		
Base Adjustments				
D0037476 - Specifying One Time /Time Limited Expense - Energy	0.0000	0.0000		
Recommended Program Allocation	85.0000	85.0000	15.0000	
Annual % Growth		0.00%	-82.35%	
Internal Function				
Energy Policy Development and Implementation				
Base				
D0034770 - Base - Operating Expense - \$	23.2687	23.2687	22.9937	22.9937
D0034890 - Rollover D0028702: ENERGY - 5 new FTEs for the Investment and Governance Secretariat	0.6550	0.6550		
Base Adjustments				
D0037476 - Specifying One Time /Time Limited Expense - Energy	0.0000	0.0000		
PRRT				
D0042979 - ENE: Ministry Savings Target	(1.9306)	(1.9306)	(1.9306)	(1.9306)
D0045001 - MOF: Transfer of I & G Secretariat from Energy	(0.9300)	(0.9300)		
Recommended Program Allocation	21.0631	21.0631	21.0631	21.0631
Annual % Growth		0.00%	0.00%	0.00%
Ministry Admin (Communication Services Branch)				
Allocation Adjustments				
D0039713 - TBS: Bulk Media Buy Transfers Out-years	(0.0150)	(0.0150)	(0.0150)	(0.0150)
Base				
D0034770 - Base - Operating Expense - \$	4.1186	4.1186	4.1186	4.1186
Recommended Program Allocation	4.1036	4.1036	4.1036	4.1036
Annual % Growth		0.00%	0.00%	0.00%
Ministry Admin (Corporate Services Division)				
Base				
D0034770 - Base - Operating Expense - \$	6.4877	5.2215	5.2215	5.2215
Base Restatement				
D0036685 - Rollover D0029970: Transfer from Energy to MEDEI	(1.2662)			

	2017-18	2018-19	2019-20	2020-21
Ministry of Energy				
Operating Expense				
Inter/Intra Ministry Transfers				
D0041166 - [R 2017] MOI/MEDG/MRIS/ENERGY/MGCS to MGCS Transfer for IT-Rationalization Initiatives	(0.0097)	(0.0097)	(0.0097)	(0.0097)
Recommended Program Allocation	5.2118	5.2118	5.2118	5.2118
Annual % Growth		0.00%	0.00%	0.00%
Ministry Admin (Legal Services Branch)				
Base				
D0034770 - Base - Operating Expense - \$	3.2549	3.2549	3.2549	3.2549
Recommended Program Allocation	3.2549	3.2549	3.2549	3.2549
Annual % Growth		0.00%	0.00%	0.00%
Ministry Admin (MO, DMO)				
Base				
D0034770 - Base - Operating Expense - \$	2.5689	2.5689	2.5689	2.5689
Recommended Program Allocation	2.5689	2.5689	2.5689	2.5689
Annual % Growth		0.00%	0.00%	0.00%

	2017-18	2018-19	2019-20	2020-21
Ministry of Energy				
Capital Expense				
External Program				
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)				
Base				
D0034772 - Base - Capital Expense - \$	1.3841	1.4819	1.2860	0.7092
Other Fiscally Neutral Transactions				
D0042543 - ENE: Consolidation Adjustment - Ontario Energy Board	(0.1603)	(0.1604)	0.0001	0.0533
Recommended Program Allocation	1.2238	1.3215	1.2861	0.7625
Annual % Growth		7.98%	-2.68%	-40.71%
Electricity Market Operations & System Planning (Delivered by the IESO)				
Base				
D0034772 - Base - Capital Expense - \$	20.8321	19.8511	16.2511	16.2511
Other Fiscally Neutral Transactions				
D0042558 - ENE: Consolidation Adjustment - Independent Electricity System Operator	1.1818	3.0724	7.0757	7.0757
Recommended Program Allocation	22.0139	22.9235	23.3268	23.3268
Annual % Growth		4.13%	1.76%	0.00%
Internal Function				
Energy Policy Development and Implementation				
Base				
D0034772 - Base - Capital Expense - \$	0.0020	0.0020	0.0020	0.0020
Recommended Program Allocation	0.0020	0.0020	0.0020	0.0020
Annual % Growth		0.00%	0.00%	0.00%

FTE Impact Summary
2017-18 Program Review, Renewal and Transformation
Ministry of Energy

Appendix 4

Description	2017-18	2018-19	2019-20	2020-21	2021-22
Preliminary FTE Caps and In Year Approvals					
Preliminary FTE Caps	209.6100	209.6100	204.6100	204.6100	204.6100
FTE CAPS	209.6100	209.6100	204.6100	204.6100	204.6100
Other Decisions					
D0041897 - [R 2017] ENERGY to MGCS Transfer of 2 FTEs for the EWRB Project	(2.0000)	0.0000	0.0000	0.0000	0.0000
D0042590 - [R 2017] ENERGY to MAG Temporary Transfer of 1 FTE for Legal Services Support	(1.0000)	0.0000	0.0000	0.0000	0.0000
D0045001 - MOF: Transfer of I & G Secretariat from Energy	(5.0000)	(5.0000)	0.0000	0.0000	0.0000
Inter-ministry transfer from Energy to MOF to support the Investment and Governance Secretariat					
TOTAL	(8.0000)	(5.0000)	0.0000	0.0000	0.0000
TOTAL PRRT Impact	(8.0000)	(5.0000)	0.0000	0.0000	0.0000
Revised Multi-Year FTE Caps	201.6100	204.6100	204.6100	204.6100	204.6100

Program Changes

Appendix 6

Planning Cycle: 2017-18 Planning Cycle
 Phases PRRT Based Outlook
 My Number: Approved | Tracking
 Amount Type: CURRENT BUCKET
 Scope: External Program | Internal Function

Ministry of Energy

Capital Expense

External Program

Electricity and Natural Gas Sector Regulation (Delivered by the OEB)

Base

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
D0034772 - Base - Capital Expense - \$	1.3841	1.4819	1.2860	0.7092	0.5250	0.5250	0.5250	0.5250	0.5250	0.5250

Other Fiscally Neutral Transactions

D0042543 - ENE: Consolidation Adjustment - Ontario Energy Board	(0.1603)	(0.1604)	0.0001	0.0533	0.2375	0.2375	0.2375	0.2375	0.2375	0.2375

Recommended Program Allocation

	1.2238	1.3215	1.2861	0.7625	0.7625	0.7625	0.7625	0.7625	0.7625	0.7625

Annual % Growth

		7.98%	-2.68%	-40.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Electricity Market Operations & System Planning (Delivered by the IESO)

Base

D0034772 - Base - Capital Expense - \$	20.8321	19.8511	16.2511	16.2511	16.2511	16.2511	16.2511	16.2511	16.2511	16.2511

Other Fiscally Neutral Transactions

D0042558 - ENE: Consolidation Adjustment - Independent Electricity System Operator	1.1818	3.0724	7.0757	7.0757	7.0757	7.0757	7.0757	7.0757	7.0757	7.0757

Recommended Program Allocation

	22.0139	22.9235	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268

Annual % Growth

		4.13%	1.76%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Internal Function

Energy Policy Development and Implementation

Base

D0034772 - Base - Capital Expense - \$	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020

Recommended Program Allocation

	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020

Annual % Growth

		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Program Changes

Appendix 6

Ministry of Energy

Capital Assets

External Program

Electricity and Natural Gas Sector Regulation (Delivered by the OEB)

Base

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
D0034773 - Base - Capital Assets - \$	0.9750	0.6850	0.5250	0.5250	0.5250	0.5250	0.5250	0.5250	0.5250	0.5250

Other Fiscally Neutral Transactions

D0042543 - ENE: Consolidation Adjustment - Ontario Energy Board	(0.2620)	(0.2620)	(0.1020)	(0.1020)	(0.1020)	(0.1020)	(0.1020)	(0.1020)	(0.1020)	(0.1020)

Recommended Program Allocation

	0.7130	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230

Annual % Growth

	-40.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Electricity Market Operations & System Planning (Delivered by the IESO)

Base

D0034773 - Base - Capital Assets - \$	23.1000	23.1000	23.1000	23.1000	23.1000	23.1000	23.1000	23.1000	23.1000	23.1000

Other Fiscally Neutral Transactions

D0042558 - ENE: Consolidation Adjustment - Independent Electricity System Operator	3.7225	(0.1000)	(0.1000)	(0.1000)	(0.1000)	(0.1000)	(0.1000)	(0.1000)	(0.1000)	(0.1000)

Recommended Program Allocation

	26.8225	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000

Annual % Growth

	-14.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Internal Function

Energy Policy Development and Implementation

Base

D0034773 - Base - Capital Assets - \$	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010

Recommended Program Allocation

	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010

Annual % Growth

		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Capital Plan Summary

	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
Energy										
NET CAPITAL EXPENSE	23.2397	24.2470	24.6149	24.0913	24.0913	24.0913	24.0913	24.0913	24.0913	24.0913
VOTED CAPITAL EXPENSE	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
STATUTORY APPROPRIATION	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
CONSOLIDATION AND OTHER ADJUSTMENTS	23.2377	24.2450	24.6129	24.0893	24.0893	24.0893	24.0893	24.0893	24.0893	24.0893
CONSOLIDATED AMORTIZATION	23.2377	24.2450	24.6129	24.0893	24.0893	24.0893	24.0893	24.0893	24.0893	24.0893
CAPITAL ASSET	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
CONSOLIDATED ACQUISITIONS	27.5355	23.4230	23.4230	23.4230	23.4230	23.4230	23.4230	23.4230	23.4230	23.4230
CAPITAL THROUGH OPERATING	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
OTHER PARTNER	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
GROSS INFRASTRUCTURE	27.5375	23.4250	23.4250	23.4250	23.4250	23.4250	23.4250	23.4250	23.4250	23.4250

Risks

Appendix 7

2017-18 Program Review, Renewal and Transformation

Ministry of Energy

Risk	ENERGY PRRT Risks: Energy Demand Model
Likelihood	Certainty (100 %)
Description	Energy demand model to develop independent, unbiased, and enhanced in-house analytical capability to aid conservation policy development in quick turn-around times within current staff levels and a modest increase in annual budget.
Type	SPD - Strategic/Policy/Performance Risk
Classification	D - Existing - Ongoing
Impact	Major (3)
Implication	If the Ministry does not proceed with procuring energy demand modelling software (multi-fuel), it would not have the necessary tools to:
Offset Code	VI - Vote/Item Offset
Inactive Flag	TBD
Category	TBD

Account Type	Budget 2017-18	Budget 2018-19
OE	0.4000	0.1000
Total	0.4000	0.1000

Risks

Appendix 7

2017-18 Program Review, Renewal and Transformation

Ministry of Energy

Risk	ENERGY PRRT Risks: Green Button Technical Adoption of Standard
Likelihood	Certainty (100 %)
Description	Technical advisory services to develop/update a "Reference Architecture" and also update and develop a test-lab environment for Green Button in Ontario as well as provide additional technical advisory services as required.
Type	SPD - Strategic/Policy/Performance Risk
Classification	D - Existing - Ongoing
Impact	Major (3)
Implication	Lack of technical guidance documents and test lab would significantly reduce the likelihood of a successful roll out of Green Button in Ontario.
Offset Code	VI - Vote/Item Offset
Inactive Flag	TBD
Category	TBD
Account Type	Budget
	2017-18
OE	0.7300
Total	0.7300

Risks

Appendix 7

2017-18 Program Review, Renewal and Transformation

Ministry of Energy

Risk	ENERGY PRRT Risks: Renewable Energy Legal Charges
Likelihood	Certainty (100 %)
Description	Funding to support Ontario's defence of the Windstream NAFTA arbitration. Canada and Ontario will have to discuss arrangements for award of \$28M owed to Windstream. Also, Mesa is requesting a set aside of the NAFTA Tribunal's decision in favour of Canada and Ontario that will take place in early 2017.
Type	LCE - Legal/Contractual Compliance - External
Classification	D - Existing - Ongoing
Impact	Major (3)
Implication	Without this funding, Ontario would not be able to defend against the allegations made against ENERGY, MNRF and MOECC under NAFTA. Ontario has a MOU with Canada whereby the two governments share the costs of the arbitration equally.
Offset Code	VI - Vote/Item Offset
Inactive Flag	TBD
Category	TBD
Account Type	Budget
	2017-18
OE	0.4250
Total	0.4250

Risks

Appendix 7

2017-18 Program Review, Renewal and Transformation

Ministry of Energy

Risk	ENERGY PRRT Risks: Energy & Water Reporting and Benchmarking - Customer Relationship Management and Implementation Proposal
Likelihood	Certainty (100 %)
Description	Procure customer relationship management software for the implementation of the EWRB Regulation as well as professional services to support implementation of the software technology solution(s), interface creation and go-live technical support for CRM software, database/analytics tools and other interfaces (e.g. to Portfolio Manager).
Type	SPD - Strategic/Policy/Performance Risk
Classification	B - New - Ongoing
Impact	Major (3)
Implication	Having funds available to select the right technology and to procure professional services to support implementation of the software technology solution(s) will be crucial for performing mandatory reporting under the proposed EWRB initiative that could require
Offset Code	VI - Vote/Item Offset
Inactive Flag	TBD
Category	TBD

Account Type	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21
OE	3.8000	1.5300	1.2800	1.2300
Total	3.8000	1.5300	1.2800	1.2300

Risks

Appendix 7

2017-18 Program Review, Renewal and Transformation

Ministry of Energy

Risk	ENERGY PRRT Risks: Energy East
Likelihood	Certainty (100 %)
Description	Procurement of 4 experts to support NEB hearings for the Energy East Project:• Expert Services on Pipeline Environmental Protection•Expert Services on Pipeline Safety• Exper
Type	SPD - Strategic/Policy/Performance Risk
Classification	D - Existing - Ongoing
Impact	Moderate (2)
Offset Code	VI - Vote/Item Offset
Inactive Flag	TBD
Category	TBD
Account Type	Budget
	2017-18
OE	0.6210
Total	0.6210

Risks

Appendix 7

2017-18 Program Review, Renewal and Transformation

Ministry	Likelihood	Risk	Account Type	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21
Energy	Certainty (100 %)	ENERGY PRRT Risks: Energy Demand Model	OE	0.4000	0.1000		
		ENERGY PRRT Risks: Green Button Technical Adoption of Standard	OE	0.7300			
		ENERGY PRRT Risks: Renewable Energy Legal Charges	OE	0.4250			
		ENERGY PRRT Risks: Energy & Water Reporting and Benchmarking - Customer Relationship Management and Implementation Proposal	OE	3.8000	1.5300	1.2800	1.2300
		ENERGY PRRT Risks: Energy East	OE	0.6210			
				5.9760	1.6300	1.2800	1.2300

Appendix 8:

Other Supporting Schedules

Financial Summary (Detailed Version)

	\$M	16-17	17-18	18-19	19-20	20-21
Ministry Specific Funding - Preliminary Allocation						
Operating Expense		779.0	1390.6	1387.8	1317.0	1302.0
Capital Expense		22.0	22.2	21.3	17.5	17.0
Total Preliminary Allocation		801.0	1412.8	1409.1	1334.6	1319.0
Ministry Submission						
			76.4%	-0.3%	-5.3%	-1.2%
Operating Expense			1662.7	1487.1	1519.5	1520.8
Capital Expense			23.2	24.2	24.6	24.1
Total Ministry Submission			1685.9	1511.3	1544.2	1544.9
<i>Over/(Under) Preliminary Allocation</i>			273.1	102.2	209.6	225.9
<i>Adjustments for Fiscally Neutral Items</i>			110.5%	-10.4%	2.2%	0.1%
· Inter-Ministry Transfers: GSIC IT Rationalization			0.0	0.0	0.0	0.0
· Inter-Ministry Transfers: Grants Ontario Funding Model			0.1	0.1	0.1	0.1
· GGRA Revenue Offset: EV Overnight Charging Rebate			(2.2)	(2.7)	(3.7)	(5.0)
· Consolidated Agencies Revenue: Higher Revenue Forecast (OPCD)			(7.8)	(15.3)	(21.8)	(21.8)
· Revenue: Conferred Benefit to First Nations			(135.0)			
Fiscal Impact of Ministry Submission			128.2	84.2	184.2	199.2
Recommendations						
<i>Do Not Approve</i>						
<i>Do Not Approve - Operating Expense</i>			0.0	0.0	0.0	0.0
<i>Do Not Approve - Capital Expense</i>			0.0	0.0	0.0	0.0
Total Do Not Approve			0.0	0.0	0.0	0.0
<i>Defer</i>						
· GGRA: EV Overnight Charging Rebate	O		2.2	2.7	3.7	5.0
· H1: Cash Contribution to First Nations	O		30.0	(15.0)	(15.0)	
· H1: Conferred Benefit to First Nations	O		135.0			
· Updated Forecast Electricity 8% Rebate	O		94.0	96.0	196.0	196.0
· Admin & FTEs Electricity 8% Rebate	O		3.1	3.1	3.1	3.1
<i>Defer - Operating Expense</i>			264.3	86.8	187.8	204.1
<i>Defer - Capital Expense</i>			0.0	0.0	0.0	0.0
Total Defer			264.3	86.8	187.8	204.1
Adjustment for Deferred / Not Approved Fiscally Neutral Items			264.3	86.8	187.8	204.1
<i>Approve</i>						
Operating Expense			1397.5	1399.3	1331.7	1316.7
Capital Expense			23.2	24.2	24.6	24.1
Total Approve			1,420.7	1,423.6	1,356.3	1,340.8
<i>Over/(Under) Preliminary Allocation</i>			7.9	14.4	21.8	21.8
<i>Adjustment for Fiscally Neutral Items</i>			(7.8)	(14.4)	(21.8)	(21.8)
Fiscal Impact of Recommendations			0.1	0.0	0.0	0.0
% Growth			77.4%	0.2%	(4.7%)	(1.1%)

3 PRRT 2018-19 Revised_ENERGY All Combined Except Dashboard.pdf

I. Executive Summary



The Ministry has submitted a plan within allocation after factoring in fiscally neutral items.

To manage pressures, the Ministry is seeking TB/MBC approval to offset costs for new Long Term Energy Plan (LTEP) related programs, and resources (\$,FTEs) for administering Fair Hydro Plan transfer payments programs, from savings due to an updated forecast of Fair Hydro Plan transfer payments over the planning period. The transfer payments are under executive controls.



With the passage of the Ontario Fair Hydro Act, 2017, the Ministry is now administering \$1.6B in transfer payments in 2017-18 (80% of allocation) and on-going.



Ontario's Fair Hydro Act, 2017 entitles recipients to funding. The Ministry indicates actual fiscal costs are dependent on external factors (e.g. electricity prices, consumption, weather and general economic and demographic factors of consumers). As with other demand-driven government programs, such as forest fire fighting, and business risk management, there is a decision for government regarding managing risk centrally through the Treasury Board Contingency Fund, or through the Ministry's funding allocation.

The Ministry is currently managing with 19 risk-managed FTEs, and indicates that this short-term strategy is not sustainable.



Key risks include:

- Negotiations with Métis Nation of Ontario on Hydro One ownership are on-going. The Ministry may require up to \$35M in either 2017-18 or 2018-19 depending on the terms and timing of an agreement.
- Fair Hydro Plan – The Ministry indicates Hydro One has made an application to the OEB for rates for 2018 to 2021, which if approved, could increase Ontario's programs costs by \$65M per year by fiscal 2020-21.
- Affordability fund \$200M multi-year commitment – Only \$100M approved and provided to date. October 24, 2017 Ontario launched the \$100M program. As of October 31, 2017 only \$0.4M spent. The Fund has now started to accept funding applications from electricity distributors.
 - o The Ministry will provide regular updates through quarterly reporting, including spending to date, results to date starting Q4 2017-18.



The ministry expanded its program inventory from seven to 10 external PRRT programs reflecting over-arching lines of key ministry business related to energy development and management, electricity price mitigation, and energy use and climate change. The realignment and refinement of the program inventory incorporates the ministry's expanded mandate related to Ontario's Fair Hydro Plan and other high-priority policy commitments.

The ministry provided updated results for KPIs approved through the 2017-18 PRRT suggesting that:

- CO2 emissions from Ontario's electricity sector decreased
- Ontarians are conserving electricity.

The remaining KPIs will monitor progress on more recent strategic initiatives to minimize the annual growth of electricity costs to Ontarians, support innovation in the energy sector, and improve asset management (i.e., net income from Hydro One and OPG).

Taken together, the entirety of the ministry's performance measurement system demonstrates

Treasury Board/Management Board of Cabinet Assessment Note

strong potential to track progress toward ministry high priorities including a continued and concentrated focus on the energy consumer, providing an affordable supply of energy, ensuring fairness and consumer choice, opportunities for innovation, as well as ensuring the sound development of the Province's strategic energy framework through the Long-Term Energy Plan.

Treasury Board/Management Board of Cabinet Assessment Note

II. Financial Summary

The Ministry submitted a plan that is within its preliminary allocation after accounting for fiscally neutral adjustments, including initiatives eligible to be funded from the Greenhouse Gas Reduction Account

Growth Rate
18-19 to
20-21

	\$M	17-18	18-19	19-20	20-21		
Preliminary Allocation							
Operating Expense	2,024.4	2,015.9	2,025.6	2,102.2	A		
Capital Expense	23.2	24.2	24.6	24.1	B		
Total Preliminary Allocation	2,047.7	2,040.2	2,050.2	2,126.3	C=A+B		
% Growth		(0.4%)	0.5%	3.7%			4.2%
Fall Economic Statement		-	-	-	D		
Total Allocation incl. FES		2,040.2	2,050.2	2,126.3	E=C+D		
Ministry Submission							
Operating Expense	1,995.6	2,032.8	2,087.1	F			
Capital Expense	25.3	26.0	24.6	G			
Total Ministry Submission	2,020.9	2,058.7	2,111.7	H=F+G			4.5%
% Growth			1.9%	2.6%			
Over/(Under) Preliminary Allocation		(19.3)	8.5	(14.6)	I=H-E		
Adjustment for Fiscally Neutral Items		0.0	0.0	0.0	J		
Adjustment for GGRA-Eligible Items		(10.2)	(20.2)	(20.2)	K		
Fiscal Impact of Ministry Submission		(29.5)	(11.6)	(34.8)	L=I+J+K		
Recommendation							
Approve-In-Principle							
Operating Expense	1,952.7	1,956.6	2,003.3	M			
Capital Expense	25.3	26.0	24.6	N			
Total Approve-in-Principle	1,977.9	1,982.6	2,027.9	O=M+N			2.5%
% Growth		0.2%	2.3%				
Defer							
Operating Expense	5.9	7.4	8.4	P			
Capital Expense	-	-	-	Q			
Total Defer	5.9	7.4	8.4	R=P+Q			
Do Not Approve							
Operating Expense	26.8	48.5	55.1	S			
Capital Expense	-	-	-	T			
Total Do Not Approve	26.8	48.5	55.1	U=S+T			
Recommendation Over/(Under) Preliminary Allocation		(62.3)	(67.6)	(98.4)	V=O-E		
Adjustment for Fiscally Neutral Items		-	-	-	J		
Adjustment for GGRA-Eligible Items		-	-	-	K		
Fiscal Impact of Recommendations		(62.3)	(67.6)	(98.4)	W=V+J+K		
Anticipated asks over allocation (Blue items) ²		20.0	18.0	15.0	X		
Fiscal Impact excl. anticipated asks		(82.3)	(85.6)	(113.4)	Y=W-X		

¹2017-18 amount represents current approved allocation including all in-year decisions to date.

²Represents out-year impacts of in-year approvals that ministries were required to report back on through their PRRT submission.

III. Programs with Key Decisions

A. Summary of Programs with Key Decisions

Request Type	Description of Request	O/C	Page	Recommendation
Strategic Asset Management				
	1) Indigenous Engagement (On-going Métis Nation of Ontario Negotiations)	O	5	Approve-In-Principle
	2) Consider as offset for International Energy Demonstration Fund	O	5	Do not Approve
	3) Program Savings Identified	O	5	Approve-In-Principle
Electricity Rate Mitigation				
	1) Forecast Update for Ontario's Fair Hydro Plan (FHP) transfer payments.	O	10	Approve-In-Principle
	2) Resources to administer FHP initiatives. Requesting 19 permanent FTEs and funding.	O	10	Defer
				
	3) Forecast pressures in certain TPs under Electricity Price Mitigation. (Recommendation is to manage risk centrally, only if insufficient internal offsets found in year)	O	10	Do Not Approve
Innovative Energy Technologies – Setting up new International Energy Demonstration Fund, and Smart Grid Fund				
	1) Establishing International Demonstration Fund	O	32	Defer to New Initiatives Request
	2) Establishing Smart Grid Fund	O	17	Approve-in-Principle

B. Program Details

Strategic Asset Management - Description

This program supports the Province as a shareholder of Hydro One in regards to managing its investment and governance relationship.

- The province has completed the broadening of Hydro One ownership through three secondary share offerings.
- Effort is on-going regarding First Nations Hydro One ownership shares.
- Negotiations are under way with Metis Nation of Ontario regarding Hydro One ownership shares.



Performance Measures

Outcome: The Province has committed to broaden the ownership of Hydro One in a staged and prudent manner over time to create lasting benefit for the public.

Program outcome measure: Progress towards ownership objective

Progress to date: The ministry is reported a 70.1% share in Hydro-One as of March 31, 2017, and of approximately 49.9% following the May 2017 offering. The program savings identified are unlikely to negatively impact progress toward the targetted 40% ownership in 2018.

Strategic Asset Management - Summary of Decisions

Total Expense	O/C	\$M	18-19	19-20	20-21	Recommendation
Current Approved Allocation			70.0	-	-	
Indigenous Engagement (MNO) Placeholder - may be needed in 2018-19	O	Requested	35.0	-	-	Approve-in-Principle
		Recommended	35.0	-	-	
Intra Program offset for Indigenous Engagement (MNO)	O	Requested	(35.0)	-	-	Approve-in-Principle
		Recommended	(35.0)	-	-	
Consider \$1.5M as offset for new International Energy Demonstration Fund. Note, Savings identified is recommended but not consideration as offset (see below)	O	Requested	-	-	-	Do Not Approve
		Recommended	-	-	-	
Program Savings Identified	O	Requested	(35.0)	-	-	Approve-in-Principle
		Recommended	(35.0)	-	-	
Total		Requested	35.0	-	-	
		Recommended	35.0	-	-	

Total Assets – N/A

Strategic Asset Management - Request Analysis



The Province completed the final offering of Hydro One common shares in May 2017, generating approximately \$2.8 billion in gross proceeds. The overall target of raising \$9 billion in gross proceeds and other revenue benefits from broadening the ownership of Hydro One was exceeded.

- The Province continues to hold approximately 49.9 percent of Hydro One's common shares and remains the largest shareholder. Assuming full participation by First Nations to purchase Hydro One shares from the Province by the end of 2017, the government would still hold roughly 47.4 percent of Hydro One.

As a result, Ministry indicates that, with the final offering completed, the remaining full out-year allocation of \$70M in 2018-19 is no longer needed. This is consistent with 2016-17 minuting.



- 2016-17 PRRT Minute, that provided \$70M per year from 2016-17 through to 2018-19, directed that any underspending be returned to TB/MBC and not be reallocated within the Ministry.

The Ministry notes ongoing discussions with the Métis Nation of Ontario (MNO), and is therefore, in the table below, requesting the following adjustment to the \$70M allocation in 2018-19.

- The MNO's lead negotiator was granted a mandate to negotiate within a \$20-30M range. In June 2017, the Provincial negotiating team received flexibility to provide up to \$25M in cash, subject to final TB/MBC approval.
- The Ministry has been directed, September 2016, to report back to TB/MBC for approval prior to finalization of the term sheet.

	(\$M)	2018-19 Request	Recommendation
Preliminary Allocation		70.0	
Proposed Use:			
• Retain placeholder amount for terms of a pending agreement with Métis Nation on Ontario (MNO)		30.0	Approve-in-Principle
• For Legal and financial costs associated with MNO negotiations		5.0	Approve-in-Principle
• Consider \$1.5M in savings as offset for the new LTEP initiative – International Energy Demonstration Fund			Do not approve
• Program Savings Identified		(35.0)	Approve-in-Principle (Increases to \$35M with deferral)
Revised Program Allocation		35.0	



Central Agency Assessment:



- Repurposing of the preliminary allocation for costs associated with MNO negotiations and potential terms of a pending agreement is reasonable.
- Since the International Energy Demonstration Fund is an above preliminary allocation

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request, it is being moved to the document initiative process. There is no need to consider \$1.5M as offset (Also, the request is not aligned with previous minuting not to reallocate funding within the Ministry).



- The agreement in principle with Chiefs of Ontario in July 2016 has an outside transaction closing date of December 2017 (i.e., December 31, 2017 to close the transaction, including achieving substantial minimum participation threshold from the 133 First Nations (80% participation minimum).

Recommendation:

- **Do Not Approve** redeployment of \$1.5M in 2018-19 towards the International Energy Demonstration Fund (Treat as a new initiative).
- **Approve-in-Principle** retaining \$35M in 2018-19 related to on-going MNO negotiations a placeholder for financial implications of an agreement.
- **Approve-in-Principle** savings of \$35M in 2018-19.

Additional Financial Details

1. Capital Expense – N/A
2. Minor Realignments – N/A

Electricity Rate Mitigation - Description

Ontario's Fair Hydro Plan provides electricity rate relief to eligible Ontarians through a number of transfer payment programs:

- Ontario Rebate for Electricity Consumers (OREC)
- Ontario Electricity Support Program (OESP)
- Rural or Remote Rate Protection Program (RRRP)
- On-Reserve First Nations Delivery Credit (FNDC)
- Northern Ontario Energy Credit (NOEC)

This initiative includes two PRRT programs: Rate Mitigation, and Ontario Rebate for Electricity Consumers.

Rate Mitigation - Description

Delivered by the Ontario Energy Board, the Ontario Electricity Support program provides a monthly rate reduction directly on bills of eligible low-income electricity consumers in Ontario. Credits are calculated by household size and income and range from \$35 - \$75 per month. Rural or Remote Rate Protection (RRRP) provides a direct credit on the electricity bills of rural or remote residential customers who are faced with higher distribution costs compared to urban areas. The On-Reserve First Nations Delivery Credit removes delivery charges directly from on-reserve First Nations' customers' electricity bills.

Issue/Need: The 2017 Budget includes providing substantial relief from electricity bills as a key priority. Certain customers are in greater need of support and rate relief, such as low-income, customers relying on electricity intensive medical devices, customers living in the North with more expensive home heating costs. Rural and remote customers face high distribution costs on their electricity bills as the cost of distributing power to lower-density areas is much higher than for urban and higher density areas.



Performance Measures

Outcome: Electricity is made more affordable for residential customers, small businesses and farms by the Ontario Electricity Support Program, Rural or Remote Rate Protection, On-Reserve First Nations Delivery Credit.

Program outcome measure: Reduction of electricity bills for residential, small business and farm customers.

Progress to date: The rate mitigation began in 2017 with an anticipated impact of \$2.245 MWh in 2018. The value is the reduction in regulatory charges and this has been set and will continue to be the same year over year. These savings exist from the regulatory changes made and the charge difference will not vary going forward. The savings amount will not be impacted by the decision, however the reach of the program and uptake of the program should be monitored closely.

- The ministry has reported enrollment to the Ontario Electricity Support Program at 188,237 as of September 31, 2017 and a target of 407,441, 60% of eligible customers, by 2020.

Ontario Rebate for Electricity Consumers – Description

The program provides an 8% rebate, equal to the provincial portion of HST, to consumers eligible for the Regulated Price Plan and other eligible consumers as defined by legislation – this includes about five million residential consumers, small businesses and farms. The program began on January 1, 2017.

Issue/Need: Since 2010, electricity prices have risen considerably, particularly for households and small businesses. Prices are forecast to continue to increase as additional generation comes online.

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The 8% rebate is part of a broader package of rate mitigation measures, that will help all electricity rate payers, announced in the 2016 Speech from the Throne, including: enhancement of existing Rural or Remote Rate Protection to provide additional support to approximately 330,000 eligible rural consumers; and expanding participation in the Industrial Conservation Initiative to allow more businesses to participate.



Performance Measures

Outcome: Electricity is made more affordable by the Ontario Rebate for Electricity Consumers program during a period of rising prices as Ontario transitions to a cleaner, modern electricity system.

Program outcome measure: Average reduction to electricity bills to households, small business and farms.

Progress to date: The program came into effect in January 2017 with an on-going targeted 8% reduction over the life of the program. As of December 2017, all Local Distribution Companies are reporting their OREC claims through the IESO to recover the 8% rebate.

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Rate Mitigation - Summary of Decisions

Total Expense	O/C	\$M	18-19	19-20	20-21	Recommendation
Current Approved Allocation			1,633.4	1,711.0	1,787.0	
Forecast Update for Ontario's Fair Hydro Plan (FHP) Transfer Payments	O	Requested	(51.8)	(82.0)	(111.0)	Approve-in-Principle
		Recommended	(51.8)	(82.0)	(111.0)	
Resources to administer FHP initiatives. Requesting 19 permanent FTEs starting in 2018-19 and funding	O	Requested	4.4	4.4	4.4	Defer to Wrap-up
		Recommended	-	-	-	
Forecast pressures in certain TPs. Recommendation is to manage risk centrally, only if insufficient internal offsets found	O	Requested	26.8	48.5	55.1	Do Not Approve
		Recommended	-	-	-	
Total		Requested	1,612.9	1,681.9	1,735.5	
		Recommended	1,581.6	1,629.0	1,676.0	

Total Assets	O/C	\$M	18-19	19-20	20-21	Recommendation
Current Approved Allocation			0.0	0.0	0.0	
 1) OPG Share Purchase (Equity Injection)	O	Requested	1,100.0			Approve-in-Principle
		Recommended	1,100.0			
Total		Requested	1,100.0	-	-	
		Recommended	1,100.0	-	-	

Rate Mitigation - Request Analysis



Transfer Payment Forecast Update:

The Ministry is requesting to update transfer payments allocations under Electricity Price Mitigation to align with updates to forecasts. As a result of the updates, the Ministry's submission is seeking approval to redeploy no longer needed funding, and to declare a portion as savings.

2018-19 ENERGY PRRT Submission				
Forecast Update:		(\$M)	2018-19	2019-20
				2020-21
1	OREC Revised Forecast Savings	-	-	(5.0000)
2	OREC as Offset for 19 Perm FTEs Admin request	(2.0000)	-	-
3	OREC as Offset for new International Energy Demonstration Fund	-	(3.0000)	(4.0000)
4	OREC Offset for new Smart Grid Fund	(20.0000)	(18.0000)	(15.0000)
5	FNDC Revised Forecast	(0.4000)	-	-
6	OESP Revised Forecast	(0.1534)	(8.0534)	(27.4534)
7	OESP as Offset for 19 Perm FTE Request	(2.4466)	(4.4466)	(4.4466)
8	OESP as Offset for increase in RRP and FNDC	(26.8000)	(48.5000)	(55.1000)
Total Forecast Savings (Gross)			(51.8000)	(82.0000)
				(111.0000)
9	FNDC Revised Forecast		0.9000	1.9000
10	Pressure in new Distribution Rate Protection RP (Now split off from RRRP)	26.8000	47.6000	53.2000
Total Forecast Pressures (Within Electricity Price Mitigation)			26.8000	48.5000
				55.1000
Forecast Savings (Net)			(25.0)	(33.5)
				(55.9)

The Ministry is also creating a transfer payment line for Distribution Rate Protection Program (DRP) and reallocating a portion of RRRP allocation towards DRP during the 2018-19 PRRT Submission.



Operating Asset – OPG Share Purchase:

Ontario's Fairy Hydro Plan was announced in March 2017 and includes a number of measures to provide relief to electricity consumers, including refinancing the Global Adjustment (GA) costs. The refinancing of the GA is to come from the following sources:

- 51 percent of the funding will come from debt financing through Capital Markets
- 49 percent will come from OPG
 - o 44 percent to come from an equity cash injection from the Province
 - o 5 percent to come from financing from capital markets through medium term notes (subordinated to financing under 1).

This request is for the 44 percent that the Province has committed to funding through equity injections in OPG. The GA refinancing would be about \$2,500M per year on average for the first 10 years. Using the average amount and applying 44 percent, results in an estimated equity injection of \$1,100M.

The Ministry notes the estimated equity injection for 2018-19 is \$974M. However given these

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amounts may be updated, for prudence, the Ministry of Energy recommends an allocation of \$1,100M for the 2018-19 period for the equity injection.



As part of its annual business plan, OPG is required to submit equity requirements forecasts. An updated forecast of the equity injection will be provided to TB/MBC when the Ministry submits OPG's 2018-20 Business Plan.

FTE Request:

The Ministry's expanded mandate, administering TPs under the Fair Hydro Plan, has resulted in increased workload that the Ministry indicates it is managing with 19 risk-managed FTEs, and that this short-term strategy is not sustainable.

Activities include:

- Forecasting, data modelling and analysis
- Oversight on policy, regulation and legislative changes
- Providing financial and risk management expertise and oversight;
- Developing internal control framework to ensure the financial integrity
- Overseeing program performance and identifying operational issues;
- Managing contracts and agreements that are integral to the day-to-day ongoing administration;
- Designing and implementing a program evaluation framework
- Communications and marketing support

The Ministry is requesting 19 permanent FTEs starting in 2018-19 and funding of \$4.4M/year, including \$1.9M in Salaries and Wages, starting in 2018-19 (Forecasted savings in Fair Hydro Plan Transfer payments cited as offset for the funding request):

- 4 starting in 2018-19 OREC
- 5 starting in 2018-19 OESP
- 6 starting in 2018-19 for RRRP, DRP, FNDC
- 1 FTE Affordability Fund
- 3 Forecasting & Analysis, and Regulatory Support

Energy staff indicate the 19 new FTEs would be located at 77 Grenville (Downtown Toronto), utilizing existing vacant space.

Central Agency Assessment:



2017-18 PRRT Minutes included the following executive controls:



- The Board approved redeploying underspending within Transfer Payments under Electricity Price Mitigation (Vote/item 2905-1) to address pressures elsewhere in Transfer Payments within Electricity Price Mitigation (Vote/item 2905-1).
- The Board directed that no funding from within Electricity Price Mitigation (Vote/item 2905-1) is to be redeployed within the Ministry outside of Electricity Price Mitigation (Vote/item 2905-1).

Although the Ministry's submission buckets portions of transfer payment forecast updates as offsets for requests, the total forecast savings (gross) should be accepted to reflect executive

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controls.

The following tables take a closer look at movements within the key Fair Hydro Plan transfer payments:

Ontario Rebate for Electricity Consumers								
	(\$M)	2016-17	2017-18	2018-19	2019-20	2020-21		
September 2016 TB/MBC Submission OREC		300	1006	1004	1004	1004		
March 1, 2017 TB/MBC approvals supporting OFHP included full year projected costs			1006	1004	1004	1004		
2017 Budget			939	882	882	895		
			% change from previous year		-6%	0%	1%	
2018-19 PRRTRequest (2017-18 is the Q2 Risk Based Outlook)			883	860	861	871		
			% change from previous year		-3%	0%	1%	
			% Change 2018-19 PRRT from 2017 Budget		(6%)	(2%)	(2%)	(3%)
TBS Staff Recommendation				860	861	871		
				(2.6%)	0.1%	1.2%		

- The Ministry's PRRT identifies savings of \$22M in 2018-19, \$21M in 2019-20, and \$24M in 2020-21.
- The Ministry indicates its estimate of OREC program costs have been greater than actual costs (OREC automatically added to every eligible consumer's bill beginning January 1, 2017). Prior to roll-out, initial program forecasts were determined through historical data and assumptions on a number of variables, including program uptake, weather, consumption, electricity rates, etc. Since implementation, the Ministry has collected and analyzed actual program data to produce revised forecasts.
- The variance between estimate and actual, the Ministry notes, could be the result of several factors, including the assumed retail contract premiums, the share of OREC consumers on retail vs RPP contracts and bill reductions as result of OFHP. Also, total consumption for 2017 is expected to be lower than previous years, partly due to unseasonably cool weather over the summer period when electricity consumption is typically at its peak.
- The model has also been adapted to calculate prices on an RPP basis to more accurately reflect changes announced under the OFHP. Combined, these modifications mean the Ministry cost estimates align more closely with the OREC actuals.
- The Ministry was directed to seek TB/MBC approval prior to establishing any year-end accruals related to the various electricity price mitigation initiatives under Vote/Item 2905-1.

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Ontario Electricity Support Program					
	(\$M)	2017-18	2018-19	2019-20	2020-21
Feb 2017 Cabinet Deck		178	239	290	334
March 1, 2017 TB/MBC approvals supporting OFHP included full year projected costs		186	261	325	375
2017 Budget		140	261	325	375
	% change from previous year		86%	25%	15%
2018-19 PRRT Request (2017-18 is the Q2 Risk Based Outlook)		40	230	264	288
	% change from previous year		475%	15%	9%
	% Change 2018-19 PRRT from 2017 Budget	(71%)	(12%)	(19%)	(23%)
Note: 2017-18 - Payments from Province only after \$100M variance account drawn to zero.					
Efforts under way to increase OESP participation towards 100%					
TBS Staff Recommendation			230	264	288
			475%	15%	9%

- The Ministry's PRRT identifies savings of \$29.4M in 2018-19, \$61M in 2019-20, and \$87M in 2020-21.
- While the Ministry indicates it will undertake steps to achieve 100% enrolment over the next four years, its revised forecast assumes that the program will only reach 60% by 2020-21 and will grow at a slower rate compared to what was originally estimated.
- In July 2017, TB/MBC approved a plan to increase OESP participation from recipients receiving social assistance from the province.
 - o The ministries, MCSS primarily and Energy, indicate approximately 113,600 SA clients are eligible for OESP; however, only 20% have enrolled – i.e., 90,880 receiving SA are not receiving OESP credits.
 - o The ministries indicate the dedicated team of 20 FTEs was established by October 2, 2017. As of November 10, 1,798 SA clients have been enrolled in OESP, with an additional 1,066 in progress.
 - At the current temporary dedicated resourcing level, anticipated achievement expected: outreach to 42% of existing SA clients, enroll up to 23,600 existing SA clients by June 2018, and enroll up to 19,500 new referrals from local offices.
 - o Should the Board approval the pending MCSS request for 30 additional temporary FTEs, the ministry anticipates completing outreach to all existing SA clients, enroll up to 37,200 existing SA clients by June 2018, and enroll up to 19,500 new referrals from local offices.
 - This would move the original 20% figure of enrolment up to 66%.
 - o Regarding the IT project for automatic enrolment, MCSS indicates it is currently in the business requirements and design specification development state, with targeted completion for summer 2018.

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Rural or Remote Rate Protection					
	(\$M)	2017-18	2018-19	2019-20	2020-21
Feb 2017 Cabinet Deck		454	450	446	444
March 1, 2017 TB/MBC approvals supporting OFHP included full year projected costs		459	472	484	497
2017 Budget (Partial year for 2017-18)		344	472	484	497
% change from previous year			37%	3%	3%
2018-19 PRRTRequest (2017-18 is the Q2 Risk Based Outlook)		352	499	532	550
% change from previous year			42%	7%	3%
% Change 2018-19 PRRT from 2017 Budget		2%	6%	10%	11%
TBS Staff Recommendation			472	484	497
			34%	3%	3%

- The Ministry's PRRT identifies a net pressure of \$26.8M in 2018-19, \$47.6M in 2019-20, and \$53.2M in 2020-21 within this program.
- The Ministry is requesting to separate out the allocation for Distribution Rate Protection (DRP) from the RRRP TP Line, where the pressure is occurring.
 - The Ministry is forecasting a DPR pressure of \$38M in 2018-19, \$63.7M in 2019-20, and \$75.0M in 2020-21. The revised forecast assumes Hydro One's rates are approved as filed, and uses Hydro One projected customer numbers.
 - The largest DRP cost of the program is supporting customers of Hydro One Networks, as Hydro One has the largest number of eligible customers by a considerable amount and also the highest rates.
 - The original cost projections assumed a maximum monthly charge of \$38. The OEB subsequently determined a charge of \$36.43 due to lower rates for Northern Ontario Wires being approved than anticipated, which increased program costs.
 - Remaining RRRP has a surplus of \$11.3M in 2018-19, \$16.1 in 2019-20, and \$21.8M in 2020-21.
 - TBS staff note leaving the surplus, as recommended, in RRRP partially offsets the DRP pressure amounts.

On-Reserve First Nations Delivery Credit					
	(\$M)	2017-18	2018-19	2019-20	2020-21
Feb 2017 Cabinet Deck		20	20	20	20
March 1, 2017 TB/MBC approvals supporting OFHP included full year projected costs		20	20	20	20
2017 Budget		15	20	20	20
	% change from previous year		33%	0%	0%
2018-19 PRRTRequest (2017-18 is the Q2 Risk Based Outlook)		15	19.6	20.9	21.9
	% change from previous year		31%	7%	5%
	% Change 2018-19 PRRT from 2017 Budget	0%	(2%)	4%	10%
TBS Staff Recommendation			19.6	20.0	20.0
			31%	2%	0%

- For this PRRT cycle the transfer payment could be held at \$20M in 2019-20 and on-going.

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Affordability Fund

March 2017 TB/MBC (\$200M Commitment- Only \$100M announced, some public reporting of \$200M commitment)

(\$M) 2016-17 2017-18 2018-19 2019-20 2020-21

100

- October 24, 2017 Ontario launched the \$100M program. As of October 31, 2017 only \$0.4M spent. The Fund has now started to accept funding applications from electricity distributors.
- The Ministry will provide regular updates through quarterly reporting, including spending to date, results to date starting Q4 2017-18.

TBS staff recommendation also includes not reallocating gross forecast savings to address transfer payment pressures (Realignment is permitted under executive controls).

- TB/MBC could decide to manage the pressures in rows 9 and 10 above in a similar way as done for forest fire fighting and business risk management – corporately manage the risk and offset from the Treasury Board Contingency Fund if the Ministry cannot identify sufficient internal offsets in-year.

Operating Asset – OPG Share Purchase – TBs staff are supportive of the Ministry's request to keep the operating asset at \$1,100M for 2018-19. This is a key element to enable refinancing Global Adjustment under the Fair Hydro Plan. Going with the current forecast amount of \$974M for 2018-19 could create funding pressures if subsequent forecast updates raise the amount needed.

FTEs – TBS staff discussions with the Ministry are on-going. No FTEs have been provided to date for OREC or new transfer payments moving from the being ratepayer funded, it seems reasonable that there should be some resources for administering \$1.6B in transfer payments.

Requesting more info on how currently "risk managing 19 FTEs," are there scalable options? Is there vacant space at 77 Grenville?



Risk considerations noted:

- Program costs are highly dependent on uptake, number of customers, approved rates, and / or electricity usage, and as such, can fluctuate from year to year.
- Key Risk – Hydro One Distribution (Dx) Rates – Hydro One Networks has the largest number of customers eligible for DRP and FNDC. It comprises the majority of these programs' costs. Hydro One Networks also has the highest distribution rates in the province. Hydro One has filed an application with the OEB to increase its rates in 2018, 2019, 2020, 2021 and 2022. If approved, this would increase DRP costs and would also affect FNDC program costs.
 - o Hydro One has made an application to the OEB for rates for 2018 to 2021, which if approved, could increase program costs by \$65M per year by fiscal 2020-21.
 - o Northern Ontario Wires reached a settlement for 2017 rates which reduced the maximum monthly charge by \$1.57. This increases costs in the current fiscal year

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by \$10M.

- For OESP – The Ministry will estimate growth towards 100% participation from 2018-2019 onwards at a more conservative rate.
- These programs (TPs) are permanent programs and costs will continue to be incurred past 2021-22. Electricity prices, after the first 4 years of the Ontario Fair Hydro Plan, are projected to increase above inflation for the foreseeable future.

Recommendation:

- **Approve-in-Principle** Gross savings forecast update for Fair Hydro Plan Transfer Payments.
- **Approve-in-Principle** Operating Asset of \$1,100M in 2018-19 for OPG Share Purchase.
- **Defer to Wrap up** request for 19 permanent FTEs and funding starting in 2018-19
- **Do Not Approve** funding pressures within transfer payments. Note, the risk identified will be managed corporately and be offset from the Treasury Board Contingency Fund if the Ministry cannot identify sufficient internal offsets in-year to address pressures.

Additional Financial Details

3. Capital Expense – N/A Minor Realignments – N/A

Innovative Energy Technologies - Description

The renewed Smart Grid Fund (\$60M over five years) would involve an expanded program scope and target grid modernization innovative solutions.

Issue/Need: The Minister's 2016 Mandate letter commits the ministry to develop long-term energy plans guided by themes such as innovation and grid modernization. Investing in innovative technologies supports Ontario energy companies abroad, domestically and raises the profile of the Province's energy sector.



Performance Measures

Outcome: Help the energy sector mature and support the domestic adoption and commercialization of smart grid technologies; support international demonstration of Ontario smart grid, renewable and other innovative energy technologies.

Program outcome measure: Advancing Commercialization in the Sector; Supporting Diversification to International Markets.

Progress to date: This is a new program. The ministry will be tracking number of sales generated domestically and internationally, the number of international demonstration projects, and jobs created. Progress will be dependent on the programs receiving funding.

Innovative Energy Technologies - Summary of Decisions

Total Expense	O/C	\$M	18-19	19-20	20-21	Recommendation
Current Approved Allocation			-		--	Approve-in-Principle
NEW Smart Grid Fund (Funding already in ORBIT In-year Submission)	O	Requested	20.0	18.0	15.0	
		-----	-----	-----	-----	
		Recommended	20.0	18.0	15.0	

Total Assets – N/A

Innovative Energy Technologies - Request Analysis



Smart Grid Fund –

The Ministry received Treasury Board approval on August 16, 2017 to renew the SGF for \$60 million over five years, beginning in 2017-18. The Ministry is requesting outyear funding through the 2018-19 PRRT inline with its inyear submission.

2018-19	2019-20	2020-21	2021-22	Total (\$M)
20.0	18.0	15.0	7.0	60.0

Central Agency Assessment:



The outyear funding implications of the 2017-18 in-year decision was flagged as part of the Ministry's preliminary allocation. In addition to identifying the funding required, it has also identified savings within Electricity Price Mitigation as a fiscal offset for this renewed program.

In August 2017, TB/MBC approved renewal of SGF and directed a report back through the 2018-19 PRRT to:

- Request funding of up to \$60,000,000 on a multi-year basis, from 2018-19 to 2021-22, with no funding needed in 2017-18.
- Identify any refinements made to the renewed Smart Grid Fund program resulting from upcoming stakeholder consultations, including but not limited to changes in eligibility, and outcomes from investigating options to create a direct benefit for government for providing public funding toward smart grid and business development.
- Work with Treasury Board Secretariat to provide additional performance measure information including measures and targets for the renewed program.

Since this is the second of two 2017 Long Term Energy Plan initiatives, this could track a New Initiative, alongside the International Energy Demonstration Program.

Recommendation:

- o **Approve-in-Principle:** Smart Grid Fund - \$60M over five years that started in 2017-18.

Additional Financial Details

4. Capital Expense – N/A

5. Minor Realignments – N/A

IV. Programs without Key Changes

Total Expense \$M	Current Approved Allocation			Recommended Allocation		
	18-19	19-20	20-21	18-19	19-20	20-21
Approve-In-Principle - Status Quo						
Northern Ontario Energy Credit	26.0	26.0	26.0	26.0	26.0	26.0
Long-Term Energy Plan Program Initiatives	3.4	3.4	3.4	3.4	3.4	3.4
Ministry Admin (Legal Services Branch)	3.3	3.3	3.3	3.3	3.3	3.3
Approve-In-Principle - Minor Changes to Program Allocation						
Energy Policy Development and Implementation	21.0	21.0	21.0	21.6	22.1	22.1
• Internal Realignment						
Electricity & Natural Gas Sector Regulation(OEB)	46.0	46.0	45.5	46.4	46.5	47.2
• Consolidated Agency update						
Electricity Market Op & System Planning (IESO)	222.9	225.8	225.8	227.1	221.6	221.6
• Capital acquisition (gross addition in capital asset) for IESO is projected to increase by \$176M over 10 years. \$156M is investment primarily for information technology related to the capital implementation costs of the Market Renewal program and \$20M is investment for information technology related to the upgrade of the Smart Metering meter data management system. These investments will be funded from the rate base.						
Ministry Admin (Corporate Services Branch)	5.2	5.2	5.2	5.2	5.2	5.2
• Transfer to GSIC - IT Rationalization - Vendor Optimization. Also an Intra Program realignment						
Ministry Admin (Communications Services Branch)	4.1	4.1	4.1	4.1	4.1	4.1
• Offsetting Realignment within the Program						
Ministry Admin (MO, DMO)	2.6	2.6	2.6	2.6	2.6	2.6
• Offset for increase in Energy Policy Development						
Climate Change Action Plan, GGRA Initiatives	2.2	1.9	2.5	1.6	0.7	1.4

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Defer to Wrap-up

Climate Change Action Plan, GGRA Initiatives	-	-	-	10.2	20.2	20.2

Do Not Approve N/A

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V. Key Risks

Risk Description	Mitigation / Action	Risk Status
Electricity Rate Mitigation Programs (ERMP): ERMPs accounts for \$1.6B (80%) of the Ministry's 2018-19 Preliminary allocation. These programs represent the largest fiscal risk exposure to the Ministry as they are tied to legislation that entitles recipients to funding. Actual fiscal costs may fluctuate depending on external factors (e.g. electricity prices, consumption, weather, and general economic and demographic factors of consumers). For example, Hydro One has made an application to the OEB for rates for 2018 to 2021, which if approved, could increase Distribution Rate Protection program costs by \$65M per year by fiscal 2020-21. The Ministry is currently risk-managing 19FTEs above its allocation to support the administration of five transfer payment programs.	The Ministry will continue to collect and analyze actual program data in order to update forecasts. The Ministry is seeking approval for 19 permanent FTEs, and to realign reductions in out-year TP forecasts to offset program administration needs, starting in 2018-19.	High
Métis Nation of Ontario Negotiation in Relation to Broadening the Ownership of Hydro One Ministry reported back to TB (September 13th) and Cabinet (September 28th) and obtained a revised mandate for discussions with MNO. Discussions are currently under way, and depending on the terms and timing of the final agreement, the Ministry may require up to \$35M in 2018-19 in support of the MNO negotiation and settlement.	The Ministry will report back to TB/MBC for approval prior to finalization of the term sheet. Placeholder funding request under Key Decision #1	High
Affordability Fund Trust The Affordability Fund is a \$200M program that serves households who are not eligible for low income conservation programs and unable to make energy efficiency improvements without support. In March 2017, TB/MBC approved \$100M to establish the Fund as part of the government's Ontario Fair Hydro Plan. Depending on program results and electricity customer needs, the Affordability Fund Trust could require additional funding, up to \$100M, in 2018-19.	Starting Q4 2017-18, the Ministry will provide regular through Quarterly Reports - spending to date, results to date and a value for money assessment, The Ministry will continue to assess the need for additional funding based on program results and electricity customer needs.	High

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VI. Greenhouse Gas Reduction Account (GGRA) Decisions

GGRA Operating Initiative	Eligible for GGRA	Description	Initiative Cost \$M		
			18-19	19-20	20-21
Microgrid Technology for Diesel Reduction	☐ Yes ☐ No	There are currently 25 communities in northwestern Ontario which rely on diesel fuel to generate electricity. For many of these communities, grid connection is a viable option, and Ontario is pursuing grid connection for those communities as the single largest opportunity to reduce diesel reliance. For the four communities (Weenusk, Fort Severn, Whitesand and Gull Bay) where transmission connection is not economical, renewable microgrids are the most economical option to reduce diesel dependence and provincial investments are merited on the basis of the IESO's findings. A GGRA request for \$50M over three years to support all of the costs of delivering this program is currently being assessed by the Ministry of the Environment and Climate Change.	9.78	19.78	19.78
Name, GOS Case #]		• Requesting 1.5 Permanent FTEs (1 Senior Advisor, 0.5 Financial Analyst – to be shared with EV project). \$0.15M S&W • Ministry estimates it can administer program at 3% of total program cost. • Approve creation of new Transfer Payment line Microgrid Technology for Diesel Reduction (Vote/item 2901-1)	0.22 10.00	0.22 20.00	0.22 20.00
Electric Vehicle Overnight Charging – FTE Request	☐ Yes ☐ No	The CCAP Minute directed the Ministry of Energy to proceed with the implementation of a four-year free overnight electric vehicle-charging program for residential and multi-unit residential customers starting in 2017.	0.22	0.22	0.22
[Name, GOS Case #]]		• 1.5 Permanent FTEs for duties that cannot be executed by the services provider. (1 Senior Advisor, 0.5 Financial Analyst – to be shared with EV project).. \$0.15M S&W			

VII. FTE Summary



The Ministry has a total FTE Allocation of 201.61 and is currently under/over its allocation with a vacancy of +1.39 (over allocation) for the month of October 2017.

	17-18 ¹	18-19	19-20	19-20	
Preliminary FTE Allocation²					
Base	201.61	204.61	204.61	204.61	A
Total In-Year Permanent					B
Total In-Year Temporary					C
Total Inter-Ministry Transfers (Sending: Permanent-/Temporary-) (Receiving: Permanent+/Temporary+)					D
Total Preliminary FTE Allocation³	201.61	204.61	204.61	204.61	E=A+B+C+D
Ministry FTE Request²					
Permanent FTEs		22.00	22.00	22.00	F
Temporary FTEs		-	-	-	G
Inter-Ministry Transfers – FTEs (Sending: Permanent-/Temporary-) (Receiving: Permanent+/Temporary+)		(2.0)	-	-	H
Total Ministry FTE Request		20.00	22.00	22.00	I= F+G+H
FTE Recommendation²					
Approve-In-Principle					
Permanent FTEs		-	-	-	J
Temporary FTEs		-	-	-	K
Inter-Ministry Transfers – FTEs (Sending: Permanent-/Temporary-) (Receiving: Permanent+/Temporary+)		(2.0)	-	-	L
Total FTEs		-	-	-	M=J+K+L
Revised FTE Allocation		202.61	204.61	204.61	N=E+M
Total FTEs Defer					
		22.00	22.00	22.00	O
Total FTEs Manage from Within		-	-	-	P

¹2017-18 number includes all in-year decisions to date.

²Numbers are “all up” (e.g., if the request is for X permanent FTEs in 2018-19, the same number of X FTEs will show in each year)

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FTE Decisions by Program



		18-19		19-20		20-21		Recommendation	Pg
		P	T	P	T	P	T		
Temp transfer to MGCS – Government Services Integration Cluster – Energy and Water Reporting and Benchmarking Project								Approve-in-Principle	-
Requests			-	-	-	-	-		
Inter-Ministry Transfers			(1.0)	-	-	-	-		
Total			(1.0)				-		
Temp transfer to MAG – Civil Law								Approve-in-Principle	
Requests	Requests	-	-	-	-	-	-		-
Inter-Ministry Transfers	Inter-Ministry Transfers	-	(1.0)	-	-	-	-		
Total			(1.0)		-		-		
Total FTEs: Approve		-	(2.0)	-	-	-	-		
Electricity Rate Mitigation – Requesting 19 Permanent FTEs starting in 2018-19 to administer social programs transferred to being taxpayer funded.								Defer	
	Requests	19.0	-	19.0	-	19.0	-		-
	Inter-Ministry Transfers	-	-	-	-	-	-		
Total		19.0		19.0		19.0			
GGRA – Microgrid Implementation								Defer, and Project is time limited	
	Requests	1.5	-	1.5	-	1.5	-		-
	Inter-Ministry Transfers	-	-	-	-	-	-		
Total		1.5		1.5		1.5			
GGRA – EV Overnight Charging								Defer, and Project is time limited	
	Requests	1.5	-	1.5	-	1.5	-		-
	Inter-Ministry Transfers	-	-	-	-	-	-		
Total		1.5		1.5		1.5			
Total FTEs: Defer		22.00	-	22.00	-	22.00	-		
N/A									
	Requests	-	-	-	-	-	-		-
	Inter-Ministry Transfers	-	-	-	-	-	-		
Total		-	-	-	-	-	-		
Total FTEs: Manage from within		-	-	-	-	-	-		

Appendices

- Legend: Icons
- Ministry Program Inventory and Performance Measurement System
- ORBIT Reports
 - Program Changes
 - FTE Impact Summary
 - Technical & Admin. Decisions
 - 10-year capital expense and asset plans
 - Ministry-reported Risks
- Other Supporting Schedules
- New Initiatives Requests

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Legend: Icons

	Information		Increase in funding		I&IT
	Transformation		Decrease in funding		Negotiating mandate
	Key Performance Indicators		Increase in funding offset by revenue		Consultation
	Key Risks		Inter-ministry transfer of funding/resources		Announce
	Financial		Internal realignment/funding offset from within allocation		
	Central Agency Assessment		Re-profile funding		
	Sustainability		Resources/FTEs		

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Ministry Program Inventory and Performance Measurement System

Program Inventory

The ministry has submitted ten external PRRT programs that encompass the full scope of its core lines of business. These were developed through a comprehensive approach to refining the PRRT program inventory, and reflect three over-arching lines of ministry business:

- **Energy development and management:** reflects the ministry's policy development and support to its ratepayer funded agencies to ensure the successful delivery of reliable and affordable energy to Ontarians.
- **Electricity price mitigation:** to capture the impact of Ontario's Fair Hydro Plan, as well as of programs focusing on the energy consumer, including support for those who need it most.
- **Energy use and Climate Change:** to reflect the broader focus on energy within key climate change initiatives and the province's integrated approach to combating climate change.

Of note are two new programs that highlight expanded priorities and areas with significant transformational opportunities:

- **Innovative Energy Technologies:** investment in innovation and modernization in the energy sector to enable consumer choice and economic development opportunities.
- **Climate Change Action Plan, Greenhouse Gas Reduction Account Initiatives:** for initiatives related to the *Climate Change Action Plan*, which will play a key role in the development of the 2017 Long-Term Action Plan.

The **Strategic Asset Management** program remains unchanged within the refined inventory, to continue capturing the broadening of Hydro One and other strategic assets.

Performance Measurement

Overall the ministry has provided some strong measures that align with its mandate and government strategic priorities. The Ministry of Energy has publicly described the need for a strong energy foundation to support communities and businesses in all areas of the province. It is also focused on building agility to adapt to future sector evolutions. These are reflected in the ministry's KPIs and program level measures.

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The KPIs are based on valid and reliable data sources, many with ambitious targets guided by the strategic energy framework and the Long-Term Energy Plan. All five KPIs are recommended for approval.

Where data and trends are available, the KPIs show ongoing progress in important outcomes:

- **CO₂ emissions from Ontario's electricity sector** decreased from 29.10Mt (2008-09) of CO₂ to 3.90 Mt of CO₂ (2017-18).
- Between 2005 and 2015, **Ontarians conserved 13.5 terawatt-hours (TWh) of electricity** which is equivalent to the electricity used annually by 1.5 million households, or the amount of electricity that powered the cities of London, Kingston, Ottawa, Peterborough and Thunder Bay in 2015.

The remaining KPIs will monitor progress on more recent strategic initiatives to **minimize the annual growth of electricity costs to Ontarians**, **support innovation in the energy sector**, and **improve asset management** (i.e., net income from Hydro One and OPG).

Program level measures are aligned with ministry priorities and have the potential to allow for monitoring progress against program outcomes. For instance:

- Estimated cumulative energy savings in 2032 resulting from efficiency standards set through amendments to Ontario's energy efficiency regulation from 2012 to 2017 was 101.3 PJ. This marks an increase from estimated cumulative savings from the baseline year (2012-13) of 21.40 PJ in the baseline year (2012-13) and demonstrates a significant contribution toward Ontario's long-term conservation outlook.
- Enrolment of eligible customers into the Ontario Electricity Support Program (OESP) reached 188,237 at baseline (early 2017). The ministry expects that 60% of estimated ~679,000 eligible customers will be enrolled by target date 2020.

Given the integrated nature of the ministry's work and objectives, some program level measures are so similar in nature it may dilute the degree to which they are meaningful, and able to track program productivity, when taken together. For instance, reduction in electricity costs for households, small businesses, and farms is a similar measure to the ministry KPI regarding the electricity costs to Ontarians. However, where this means more specific measurement at the program level, this detail may aid in the interpretation of the ministry level KPI.

Future opportunities exist within the performance system to enhance the reporting of the impact of engagement work with Indigenous partners and remote communities.

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Key Performance Indicator (KPI)	Status	Progress to Date	Strategic Alignment	Relevance for Decision Making	Technical Standards	Recommendations
Maintaining low electricity sector emissions in support of the province's climate change targets (measured levels of CO₂ emissions in the electricity sector)	Approved in 2017-18 Current Value: 3.9 Mt (2017-18)	CO₂ emissions have steadily decreased since 2008 (29.10) to the current value of 6.20 at the end of 2016. Emissions are expected to remain low and relatively flat.	The KPI is aligned to mandate commitments related to demonstrating leadership in energy efficiency standards as well as to the commitment to promote energy conservation.	Aligns to goals and targets of the strategic energy framework through the Long-Term Energy Plan. Given the focus on climate change targets, future opportunities exist to refine the measure and/or target to inform continuous improvement. This may include alignment with other Climate Change Action Plan initiatives.	Reliable and timely data source with the capacity to provide reliable projections which could be helpful for strategic planning and alignment. Segmenting the measure by region could help signal any areas where the performance and overall trends are discrepant.	Overall a strategically important and technically sound measure to track electricity sector emissions in support of climate change targets. The ministry is encouraged to continue reporting on this measure, with future consideration of refining the measure or lowering the target.
Continue to increase energy efficiency and conservation in Ontario (cumulative reduction in energy consumption)	Approved in 2017-18 Current Value: 13.5 TWh (2015)	Between 2005 and 2015, Ontarians conserved 13.5 terawatt-hours (TWh) of electricity which is equivalent to the electricity used annually by 1.5 million households, or the amount of electricity powered by the cities of London, Kingston, Ottawa, Peterborough and Thunder Bay in 2015.	Aligned to mandate commitments related to demonstrating leadership in energy efficiency standards as well as to the commitment to promote energy conservation. It promotes a focus on the energy consumer and monitoring behaviour change.	Has strong potential to inform policy and program design/evaluation. For instance, when regional results exceed provincial outcomes, this measure may highlight areas of particular success and effective conservation programs. It may also signal opportunities for targeted intervention where energy conservation is not meeting the provincial average.	Technically sound measure using conservation data from the Independent Electricity System Operator (IESO) and Ontario Energy Board (OEB).	Overall a strategically important measure. The ministry is encouraged to continue reporting on this measure, with regular review of regionalized results to guide continuous improvement of conservation programs.
Minimize annual growth of electricity costs consistent with Ontario's Fair Hydro Plan (electricity cost for a typical residential consumer)	Current Value: \$128.00 (2017-18)	Since 2010, the average residential electricity bill for the typical Ontario resident increased from \$104.00 to \$151.00. With the implementation of Ontario's Fair Hydro Plan, electricity bills are expected to decrease by 25%.	Strategic alignment to ministry mandate commitments and significant stakeholder interest	The measure will track progress on a key government commitment. There may be opportunities to augment the KPI with additional information to monitor risks and related policies/programs more proactively (e.g., patterns by region, type of consumer, external factors affecting electricity costs).	Technically sound measure using data from the Independent Electricity System Operator (IESO) and internal Ministry of Energy source.	Overall a strategically important measure that is tied directly to a mandate commitment. The ministry is encouraged to continue reporting on this measure, and consider segmenting by region to better understand impacts to rural and remote communities and vulnerable customers.

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Key Performance Indicator (KPI)	Status	Progress to Date	Strategic Alignment	Relevance for Decision Making	Technical Standards	Recommendations
Supporting the energy innovation sector and modernizing Ontario grids (number of Smart Grid Fund projects)	New Measure Current Value: 38 projects (2017)	The Smart Grid Fund (SGF) was approved in 2017, with funding for five years, is the foundation of the modernization and innovation work at this early stage.	A key focus of the Long Term Energy Plan is innovation and grid modernization. Enhanced support in this area may have horizontal linkages with other economic development opportunities. There may be opportunities to leverage performance measurement of other ministries in supporting innovative technologies and modernization to work toward a consistent approach to assessing innovation.	As a starting point, this measure highlights an emerging focus on the energy innovation sector. As policies and programs mature, more outcome-focused measures related to innovation would strengthen the evidence base for decision-making and the best allocation of resources for continuous improvement.	The KPI is intended to focus on an important outcome for the ministry. The current metric is technically sound, and further refinements would help to operationalize and document the impacts in terms of innovation and transformation of the energy sector. As the ministry expands this work, there may be benefits to developing a measurement strategy for projects to track against integrated or coordinated metrics.	Approve. Overall, this is an area of strategic importance. The proposed measure provides a starting point to focus on an emergent area of transformation in the energy sector. This KPI related to innovation and modernization of technologies demonstrates a strong commitment to transformation. Future opportunities for refinement could focus on the impact of funded projects, toward the identification of a global program measure to which all initiatives could contribute.
Net Income contributions to the Province from Hydro One and OPG (combined net income in \$B)	Revised from 2017-18 Current Value: \$0.842B (2016-17)	With 2017 as the baseline year, progress will be assessed going forward. Data provided includes forecasted projections with a current value of \$842M	The KPI is tied closely to ministry mandate commitments, and is helpful in monitoring the results of government decisions to change how provincial assets are managed.	While there may be limited ability to influence the results of this metric, monitoring the combined revenue of Hydro One and Ontario Power Generation (OPG) in relation to forecasts should provide valuable information for policy and planning. The utility of this metric may be enhanced when combined with other data, or when considering risks and benefits of future strategic asset management initiatives.	Reliable and timely data sources to allow tracking of the net income contributions.	Approve. A detailed understanding of the combined revenue of the Ministry of Energy's major strategic assets will allow tracking of the revenue forecast and monitoring of high level risks over time. Future analysis may include analysis of the timing or other external factors and how these influenced net income, to inform similar future policy considerations.

Other Supporting Schedules

Financial Summary (Detailed Version)

	\$M	O/C	17-18	18-19	19-20	20-21
Preliminary Allocation						
Operating Expense		O	2,024.4	2,015.9	2,025.6	2,102.2
Capital Expense		C	23.2	24.2	24.6	24.1
Total Preliminary Allocation			2,047.7	2,040.2	2,050.2	2,126.3
Fall Economic Statement Initiatives			-	-	-	-
Total Allocation inc'l FES				2,040.2	2,050.2	2,126.3
Ministry Submission						
Operating Expense		O		1,995.6	2,032.8	2,087.1
Capital Expense		C		25.3	26.0	24.6
Total Ministry Submission				2,020.9	2,058.7	2,111.7
Over/(Under) Preliminary Allocation				(19.3)	8.5	(14.6)
<i>Adjustments for Fiscally Neutral Items</i>						
IT Boulder - Vendor Optimization Funding Transfer		O		0.0	0.0	0.0
				0.0	0.0	0.0
<i>Adjustment for GGRA-Eligible Items</i>						
Microgrid Implementation Costs		O		(10.0)	(20.0)	(20.0)
EV Overnight Charging FTE Request		O		(0.2)	(0.2)	(0.2)
				(10.2)	(20.2)	(20.2)
Fiscal Impact of Ministry Submission				(29.5)	(11.6)	(34.8)
Recommendations						
Approve-In-Principle						
Operating Expense		O		1,952.7	1,956.6	2,003.3
Capital Expense		C		25.3	26.0	24.6
Total Approve-In-Principle				1,977.9	1,982.6	2,027.9
Over/(Under) Preliminary Allocation				(62.3)	(67.6)	(98.4)
<i>Adjustment for Fiscally Neutral Items</i>						
				-	-	-
<i>Adjustment for GGRA-Eligible Items</i>						
				-	-	-
Fiscal Impact of Recommendations				(62.3)	(67.6)	(98.4)

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		<i>% Growth</i>	<i>0.2%</i>	<i>2.3%</i>
Blue Item: Smart Grid Fund		20.0	18.0	15.0
Total Anticipated asks over allocation		20.0	18.0	15.0
Fiscal Impact excl. anticipated asks		(82.3)	(85.6)	(113.4)
Defer				
International Energy Demonstration Fund	O	1.5	3.0	4.0
Resources to administer FHP initiatives. Requesting 19 permanent FTEs starting in 2018-19 and funding	O	4.4	4.4	4.4
Defer - Operating Expense	O	5.9	7.4	8.4
Defer - Capital Expense	C	-	-	-
Total Defer		5.9	7.4	8.4
<i>Defer - Adjustment for Fiscally Neutral Items</i>				
		-	-	-
<i>Defer - Adjustment for GGRA-Eligible Items</i>				
		-	-	-
Do Not Approve				
Forecast pressures in certain Fair Hydro Plan TPs. Recommendation is to manage risk centrally, only if insufficient internal offsets found	O	26.8	48.5	55.1
Do Not Approve - Operating Expense	O	26.8	48.5	55.1
Do Not Approve - Capital Expense	C	-	-	-
Total Do Not Approve		26.8	48.5	55.1
<i>Do Not Approve - Adjustment for Fiscally Neutral Items</i>				
		-	-	-
<i>Do Not Approve - Adjustment for GGRA-Eligible Items</i>				
		-	-	-

New Initiatives Request

The Ministry has included a request in its submission for new funding. This item is not being considered as part of the PRRT process, as ministry were required (with limited exceptions) to provide submission within preliminary allocations. This item is noted here for future reference only.

- The Ministry is requesting \$10.5M over five years, which includes \$0.5M per year for administrative costs relating to third-party technical review, **for an International Energy Demonstration Fund (IEDF)**. Cabinet provided policy approval for an international energy demonstration fund as part of the Long-Term Energy Plan approval process on July 26, 2017.

2018-19	2019-20	2020-21	2021-22	2022-23	Total (\$M)
1.5	3.0	4.0	1.0	1.0	10.5

Ministry Programs

Appendix 1

	Budget 2018-19	Budget 2019-20	Budget 2020-21
Ministry of Energy			
Electricity and Natural Gas Sector Regulation	46.3657	46.5492	47.2274
Strategic Asset Management	35.0000		
Electricity Market Operations & System Planning	227.1425	221.5830	221.5830
Energy Policy Development and Implementation	21.5692	22.1483	22.1483
Long-Term Energy Plan Program Initiatives (TP)	3.4474	3.4474	3.4474
Ministry Admin (Communication Services Branch)	4.1036	4.1036	4.1036
Ministry Admin (Corporate Services Division)	5.2022	5.2022	5.2022
Ministry Admin (Legal Services Branch)	3.2549	3.2549	3.2549
Ministry Admin (MO, DMO)	2.5689	2.5689	2.5689
Northern Ontario Energy Credit Program (TP)	26.0000	26.0000	26.0000
TBD	0.0000	0.0000	0.0000
Ontario Rebate for Electricity Consumers Program (TP)	860.0000	861.0000	871.0000
Rate Mitigation	721.6423	768.0000	805.0000
Innovative Energy Technologies	20.0000	18.0000	15.0000
Climate Change Action Plan, Greenhouse Gas	1.6259	0.7168	1.3668
TOTAL	1,977.9226	1,982.5743	2,027.9025

	2018-19	2019-20	2020-21
Ministry of Energy			
Operating Expense			
External Program			
Climate Change Action Plan, Greenhouse Gas Reduction Account initiatives			
Inter/Intra Ministry Transfers			
D0056077 - ENERGY: Realignment of Base Operating Expenses	2.1800	1.8500	2.5000
PRRT			
D0055579 - ENERGY: Internal Functions - Realignment - Internal Offset	(0.5541)	(1.1332)	(1.1332)
Recommended Program Allocation	1.6259	0.7168	1.3668
Annual % Growth		-55.91%	90.68%
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)			
Base			
D0047667 - Base - Operating Expense - \$	44.7040	44.7040	44.7040
PRRT			
D0055520 - ENERGY: Consolidation Adjustment - Ontario Energy Board	(0.9757)	(1.0386)	1.0134
Recommended Program Allocation	43.7283	43.6654	45.7174
Annual % Growth		-0.14%	4.70%
Electricity Market Operations & System Planning (Delivered by the IESO)			
Base			
D0047667 - Base - Operating Expense - \$	200.0070	202.4266	202.4266
PRRT			
D0055310 - ENERGY: Consolidation Adjustment - Independent Electricity System	4.5114	(3.9404)	(3.9404)
Recommended Program Allocation	204.5184	198.4862	198.4862
Annual % Growth		-2.95%	0.00%
Innovative Energy Technologies			
PRRT			
D0055339 - Energy: Smart Grid Fund - New Program Funding Request	20.0000	18.0000	15.0000
Recommended Program Allocation	20.0000	18.0000	15.0000
Annual % Growth		-10.00%	-16.67%
Long-Term Energy Plan Program Initiatives (TP)			
Base			
D0047667 - Base - Operating Expense - \$	756.4474	832.4474	895.4474
D0048234 - Rollover D0042201: ENE GGRA Request: EV Overnight Charging Rebate	0.0000	0.0000	0.0000
In Year Q2 and pre-Envelope			
D0050735 - MCSS/ENE: Increasing Social Assistance Enrolment into the Ontario	(1.5577)		
Inter/Intra Ministry Transfers			
D0056077 - ENERGY: Realignment of Base Operating Expenses	(753.0000)	(829.0000)	(892.0000)
D0056090 - ENERGY: Realignment of OESP Social Assistance Enrolment (In-Year	1.5577		
Recommended Program Allocation	3.4474	3.4474	3.4474
Annual % Growth		0.00%	0.00%
Northern Ontario Energy Credit Program (TP)			
Base			
D0047667 - Base - Operating Expense - \$	26.0000	26.0000	26.0000
Recommended Program Allocation	26.0000	26.0000	26.0000
Annual % Growth		0.00%	0.00%
Ontario Rebate for Electricity Consumers Program (TP)			
Base			
D0047667 - Base - Operating Expense - \$	882.0000	882.0000	895.0000
PRRT			
D0055336 - ENERGY: Ontario Rebate for Electricity Consumers - Revised Forecast			(5.0000)
D0055671 - ENERGY: Internal Savings - Offset for 19 Permanent FTE Request	(2.0000)		
D0055700 - Energy: International Energy Demonstration Fund - Internal Offset		(3.0000)	(4.0000)
D0055705 - Energy: Internal Savings - Offset for Smart Grid Fund New Program	(20.0000)	(18.0000)	(15.0000)
Recommended Program Allocation	860.0000	861.0000	871.0000

Annual % Growth		0.12%	1.16%
Rate Mitigation			
Inter/Intra Ministry Transfers			
D0056077 - ENERGY: Realignment of Base Operating Expenses	753.0000	829.0000	892.0000
D0056090 - ENERGY: Realignment of OESP Social Assistance Enrolment (In-Year PRRT	(1.5577)		
D0055329 - ENERGY: Rate Mitigation Programs Update - Revised Forecast for the	(0.5534)	(8.0534)	(27.4534)
D0055671 - ENERGY: Internal Savings - Offset for 19 Permanent FTE Request	(2.4466)	(4.4466)	(4.4466)
D0055794 - ENERGY: Rate Mitigation - Internal Savings - Offset for RRRP and FNDC	(26.8000)	(48.5000)	(55.1000)
Recommended Program Allocation	721.6423	768.0000	805.0000
Annual % Growth		6.42%	4.82%
Strategic Asset Management			
Base			
D0047667 - Base - Operating Expense - \$	70.0000		
PRRT			
D0055356 - ENERGY: Strategic Asset Management - Indigenous Engagement	30.0000		
D0055624 - Energy: Strategic Asset Management - Ministry Internal Savings	(33.5000)		
D0055700 - Energy: International Energy Demonstration Fund - Internal Offset	(1.5000)		
D0055711 - Energy: Strategic Asset Management - Indigenous Engagement - Internal	(30.0000)		
Recommended Program Allocation	35.0000		
Annual % Growth			
TBD			
Base			
D0047667 - Base - Operating Expense - \$	2.1800	1.8500	2.5000
Inter/Intra Ministry Transfers			
D0056077 - ENERGY: Realignment of Base Operating Expenses	(2.1800)	(1.8500)	(2.5000)
Recommended Program Allocation	0.0000	0.0000	0.0000
Annual % Growth			
Internal Function			
Energy Policy Development and Implementation			
Base			
D0047667 - Base - Operating Expense - \$	20.3581	21.0131	21.0131
D0047769 - Rollover D0034890: Rollover D0028702: ENERGY - 5 new FTEs for the	0.6550		
PRRT			
D0055354 - ENERGY: Internal Functions - Realignment - Internal Offset	0.5541	1.1332	1.1332
Recommended Program Allocation	21.5672	22.1463	22.1463
Annual % Growth		2.69%	0.00%
Ministry Admin (Communication Services Branch)			
Base			
D0047667 - Base - Operating Expense - \$	4.1036	4.1036	4.1036
PRRT			
D0055354 - ENERGY: Internal Functions - Realignment - Internal Offset	0.1119	0.2288	0.2288
D0055579 - ENERGY: Internal Functions - Realignment - Internal Offset	(0.1119)	(0.2288)	(0.2288)
Recommended Program Allocation	4.1036	4.1036	4.1036
Annual % Growth		0.00%	0.00%
Ministry Admin (Corporate Services Division)			
Base			
D0047667 - Base - Operating Expense - \$	5.2118	5.2118	5.2118
Inter/Intra Ministry Transfers			
D0054059 - [R 2018][IR] Clients to GSIC Transfer of IT Rationalization - Vendor	(0.0096)	(0.0096)	(0.0096)
PRRT			
D0055354 - ENERGY: Internal Functions - Realignment - Internal Offset	0.1199	0.2452	0.2452
D0055579 - ENERGY: Internal Functions - Realignment - Internal Offset	(0.1199)	(0.2452)	(0.2452)
Recommended Program Allocation	5.2022	5.2022	5.2022
Annual % Growth		0.00%	0.00%

Program Changes

Appendix 2

Ministry Admin (Legal Services Branch)			
Base			
D0047667 - Base - Operating Expense - \$	3.2549	3.2549	3.2549
Recommended Program Allocation	3.2549	3.2549	3.2549
Annual % Growth		0.00%	0.00%
Ministry Admin (MO, DMO)			
Base			
D0047667 - Base - Operating Expense - \$	2.5689	2.5689	2.5689
PRRT			
D0055354 - ENERGY: Internal Functions - Realignment - Internal Offset	0.0771	0.1577	0.1577
D0055579 - ENERGY: Internal Functions - Realignment - Internal Offset	(0.0771)	(0.1577)	(0.1577)
Recommended Program Allocation	2.5689	2.5689	2.5689
Annual % Growth		0.00%	0.00%

	2018-19	2019-20	2020-21
Ministry of Energy			
Operating Assets			
External Program			
TBD			
PRRT			
D0055353 - Energy: OPG Share Purchase - Operating Asset	1,100.0000		
Recommended Program Allocation	1,100.0000		
Annual % Growth			

Program Changes

Appendix 2

Planning Cycle: 2018-19 Planning Cycle
Phases PRRT Based Outlook
My Number: Approved | Tracking
Amount Type: CURRENT BUCKET
Scope: External Program | Internal Function

Ministry of Energy

Capital Expense

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
External Program										
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)										
Base										
D0047677 - Base - Capital Expense - \$	1.3215	1.2861	0.7625	0.7625	0.7625	0.7625	0.7625	0.7625	0.7625	0.7625
PRRT										
D0055520 - ENERGY: Consolidation Adjustment - Ontario Energy Board	1.3159	1.5977	0.7475	0.5742	0.5742	0.5742	0.5742	0.5742	0.5742	0.5742
Recommended Program Allocation	2.6374	2.8838	1.5100	1.3367	1.3367	1.3367	1.3367	1.3367	1.3367	1.3367
Annual % Growth		9.34%	-47.64%	-11.48%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electricity Market Operations & System Planning (Delivered by the IESO)										
Base										
D0047677 - Base - Capital Expense - \$	22.9235	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268
PRRT										
D0055310 - ENERGY: Consolidation Adjustment - Independent Electricity System Operator	(0.2994)	(0.2300)	(0.2300)	(0.2300)	(0.2300)	(0.2300)	(0.2300)	21.4552	19.5682	17.3592
Recommended Program Allocation	22.6241	23.0968	23.0968	23.0968	23.0968	23.0968	23.0968	44.7820	42.8950	40.6860
Annual % Growth		2.09%	0.00%	0.00%	0.00%	0.00%	0.00%	93.89%	-4.21%	-5.15%
Internal Function										
Energy Policy Development and Implementation										
Base										
D0047677 - Base - Capital Expense - \$	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
Recommended Program Allocation	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
Annual % Growth		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Program Changes

Appendix 2

Ministry of Energy

Capital Assets

External Program

Electricity and Natural Gas Sector Regulation (Delivered by the OEB)

Base

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
D0047682 - Base - Capital Assets - \$	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230

PRRT

D0055520 - ENERGY: Consolidation Adjustment - Ontario Energy Board	0.9270	0.8270	0.8270	0.8270	0.8270	0.8270	0.8270	0.8270	0.8270	0.8270

Recommended Program Allocation

	1.3500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500

Annual % Growth

		-7.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Electricity Market Operations & System Planning (Delivered by the IESO)

Base

D0047682 - Base - Capital Assets - \$	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000

PRRT

D0055310 - ENERGY: Consolidation Adjustment - Independent Electricity System Operator	27.8233	39.1863	42.5500	31.5000	20.7500	10.7250	7.4250			

Recommended Program Allocation

	50.8233	62.1863	65.5500	54.5000	43.7500	33.7250	30.4250	23.0000	23.0000	23.0000

Annual % Growth

		22.36%	5.41%	-16.86%	-19.72%	-22.91%	-9.79%	-24.40%	0.00%	0.00%

Internal Function

Energy Policy Development and Implementation

Base

D0047682 - Base - Capital Assets - \$	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010

Recommended Program Allocation

	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010

Annual % Growth

		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

FTE Impact Summary

Appendix 3

2018-19 Program Review, Renewal and Transformation

Ministry of Energy

Description	2018-19	2019-20	2020-21
Preliminary FTE Caps and In Year Approvals			
Preliminary FTE Caps	204.6100	204.6100	204.6100
FTE CAPS	204.6100	204.6100	204.6100
Other Decisions			
D0055184 - [2018] MOE to MAG: Transfer of Temporary FTE	(1.0000)		
D0056451 - [R 2018] MOE to MCGS Transfer of Temporary FTE for EWRB Project	(1.0000)		
TOTAL	(2.0000)		
TOTAL PRRT Impact	(2.0000)		
Revised Multi-Year FTE Caps	202.6100	204.6100	204.6100

Capital Plan Summary

Appendix 4

	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27	Budget 2027-28
Energy										
NET CAPITAL EXPENSE	25.2635	25.9826	24.6088	24.4355	24.4355	24.4355	24.4355	46.1207	44.2337	42.0247
VOTED CAPITAL EXPENSE	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
STATUTORY APPROPRIATION	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
CONSOLIDATION AND OTHER ADJUSTMENTS	25.2615	25.9806	24.6068	24.4335	24.4335	24.4335	24.4335	46.1187	44.2317	42.0227
CONSOLIDATED AMORTIZATION	25.2615	25.9806	24.6068	24.4335	24.4335	24.4335	24.4335	46.1187	44.2317	42.0227
CAPITAL ASSET	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
CONSOLIDATED ACQUISITIONS	52.1733	63.4363	66.8000	55.7500	45.0000	34.9750	31.6750	24.2500	24.2500	24.2500
CAPITAL THROUGH OPERATING	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
OTHER PARTNER	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
GROSS INFRASTRUCTURE	52.1753	63.4383	66.8020	55.7520	45.0020	34.9770	31.6770	24.2520	24.2520	24.2520

4 PRRT 2017 -18 ENERGY PRRT Final Minutes w FHP Not in assessment note.pdf

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

The following minuted decisions resulted from the presentation of the Ministry's Program, Review, Renewal and Transformation (PRRT) plan to Treasury Board/Management Board of Cabinet (TB/MBC) made on February 2, 2017.

The following minuted decisions also reflect TB/MBC decisions made on January 24 and 25, 2017 resulting from consensus with Transformation Initiatives including:

- Digital Action Plan
- Modernizing Information and Information Technology

In addition, the following minuted decisions also reflect TB/MBC decisions made on December 15, 2016, January 25, 2017, February 6, 14 and 28, 2017 resulting from presentations on Transformation Initiatives including:

- Transfer Payment Modernization
- Benefits Transformation
- Government Realty

Additional decisions relating to the Ministry's plan were also made by the Board on March 28, 2017 and April 13 and 27, 2017.

Deputy Minister Serge Imbrogno and Andrew Teliszewsky, Chief of Staff, Minister's Office were in attendance during the discussion of the Ministry's PRRT plan.

Further to the Ministry's presentation(s), the Board made the following decisions:

- Received a report on the Ministry's 2017-18 PRRT Plan, Digital Action Plan, Benefits Transformation, Transfer Payment Administration Modernization, Modernizing Information and Information Technology, and Government Realty transformation initiatives.

The Ministry's plan positions it to remain primarily a policy development and implementation ministry, focusing its efforts on delivering the government's top energy priority – providing Ontario with a clean, reliable and affordable supply of energy through the implementation of the Long-Term Energy Plan (LTEP), and the Ontario Fair Hydro Plan.

- i) Approved the Ministry's funding allocation for both operating and capital in 2017-18, 2018-19, 2019-20, and 2020-21, as well as a notional capital outlook from 2021-22 through to 2026-27 as outlined on the next page.

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

In this regard:

a) Approved the following multi-year plan and outlook:

	(\$)	2017-18 Plan	2018-19 Outlook	2019-20 Outlook	2020-21 Outlook
Total Operating Expense		2,026,611,514	2,017,490,714	2,025,580,314	2,102,230,314
Total Capital Expense		23,239,700	24,247,000	24,614,900	24,091,300
Total 2017-18 PRRT Allocations		2,049,851,214	2,041,737,714	2,050,195,214	2,126,321,614
Total Operating Assets		1,100,000,000			
Total Capital Assets		1,000	1,000	1,000	1,000
FTE Cap		201.61	204.61	204.61	204.61
Total Salaries and Wages		19,178,914	19,178,914	19,178,914	19,178,914

b) Noted the following multi-year notional capital outlook:

	(\$)	2021-22 Outlook	2022-23 Outlook	2023-24 Outlook	2024-25 Outlook	2025-26 Outlook	2026-27 Outlook
Total Capital Expense		24,091,300	24,091,300	24,091,300	24,091,300	24,091,300	24,091,300
Total Capital Assets		1,000	1,000	1,000	1,000	1,000	1,000

Capital

- ii) Directed the Ministry to manage within the 10-year capital expense outlook and to report back to TB/MBC in future planning cycles on any changes to the 10-year outlook, including a business case for the change.
- iii) Noted that the business case should include details of capital project and program changes, as well as change drivers, the annual asset and expense impacts, and the proposed offsets to remain within the annual approved expense outlook.
- iv) Directed the Ministry to report back to TB/MBC in future PRRT Planning processes on any changes to the annual approved capital assets outlook, including changes to the assets of their consolidated entities.

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

- v) Directed the Ministry to work with the Ministry of Infrastructure to strengthen the Ministry's internal infrastructure planning processes and support the Ministry of Infrastructure's efforts to coordinate infrastructure planning across ministries, asset types, and communities over the next three years.

Report backs and Holdbacks

- vi) Directed report back(s) and holdback(s) to Treasury Board/Management Board of Cabinet on program(s) and/or transformation initiative(s) as outlined in these minutes.

Performance Measures

- vii) Received the program-level measures submitted and noted that Ministries will be asked to report back to Treasury Board/Management Board of Cabinet on updates to the program-level measures as part of the 2018-19 PRRT process, including updates to the measures previously submitted and new measures where they were not submitted.

I) PERFORMANCE MEASUREMENT SYSTEM

The Board approved the following Key Performance Indicators:

1. Increase Energy Efficiency and Conservation (cumulative reduction in consumption)
2. Maintain Low Energy Sector Emissions
3. Minimize Growth of Electricity Costs to Consumers and Businesses
4. Support Transition to Market-Based Metering Program

The Board directed the Ministry to report back to Treasury Board/Management Board of Cabinet with updated results for these Key Performance Indicators as part of the 2018-19 PRRT process.

The Board directed the Ministry to work with the Centre of Excellence for Evidence-Based Decision Making to refine and finalize the Ministry's performance measurement system, and report back to Treasury Board/Management Board of Cabinet as part of the 2018-19 PRRT process.

II) BUDGET INITIATIVES – N/A

III) TRANSFORMATION INITIATIVES

Digital Action Plan

Received the report back on progress in establishing the Ontario Digital Service.

2017-18 Program Review, Renewal and Transformation Minuted Decisions

Modernizing Information & Information Technology

The Board reviewed and approved adjustments to the Information and Information Technology (I&IT) Modernization transformation initiative, which consists of initiatives to improve productivity and performance for the Ontario Public Service I&IT organization, and strengthen I&IT governance and processes, to achieve savings of \$97,800,000 by 2020-21.

In this regard, the Board:

Vendor Optimization: Contractor Optimization

- i) Approved the reallocation of savings, minuted in the 2016-17 PPRT, as a result of variances from original planning assumptions and the assignment of additional savings of \$1,036,200 in 2017-18 and \$572,400 in 2018-19 and ongoing for Contractor Optimization, a component of the Vendor Optimization stream.

Organizational Rebalance

- ii) Approved an increase of \$2,400,000 in 2017-18 and ongoing in Central Agencies Cluster (Vote/Item 3409-1), offset by a corresponding decrease in Enterprise Information Technology Services (Vote/Item 3408-1), to realign the savings targets within Treasury Board Secretariat (TBS) for Enterprise Service Management.

Cluster Host Ministries and Client Ministries

- iii) Approved the fiscally neutral transfer of savings targets for the I&IT Modernization transformation initiative from cluster host ministries to their respective client ministries.

Report Back

- iv) Directed cluster host ministries to work with TBS to provide updates to TB/MBC as part of the Quarterly Reporting and through the 2018-19 PPRT, including the following details:
 - a) Progress to date and plans to achieve the transformation initiative savings targets, including confirmation of the distribution of savings targets; and
 - b) Status updates to TB/MBC on the progress of the following:
 - ITS Modernization;
 - Vendor Optimization, including the allocation of savings targets and any realignments of savings targets;
 - Application Portfolio Management;
 - Reduce Complexity;
 - Organizational Rebalance; and
 - Refined Estimated Allocations in Ministries.

2017-18 Program Review, Renewal and Transformation Minuted Decisions

- v) Directed TBS to continue to work with cluster host ministries, and for cluster host ministries to work with their client ministries, to continue to refine estimated allocations and cost savings and report back in the 2018-19 PRRT.

Transfer Payment Administration Modernization

The Board received a report back on the Transfer Payment Administration Modernization (TPAM) initiative including the Human Services Demonstration Project, the roll-out of the Grants Ontario System, and the rollout of the Transfer Payment Common Registration system and “My TP Account” functionality. As minuted through the 2016-17 PRRT, TPAM is expected to result in total savings of \$25,000,000 in 2017-18, \$50,000,000 in 2018-19, \$75,000,000 in 2019-20 and \$100,000,000 in 2020-21.

In this regard, the Board:

- i) Approved the:
 - a) Proposed savings adjustments to ministry allocations related to the 2017-18 TPAM savings targets with no impact on the total savings targets.
 - b) Transfer of the Grants Ontario System from Treasury Board Secretariat (TBS) to Ministry of Government and Consumer Services (MGCS) including all operating and capital expenditures and recoveries and capital assets.
 - c) Proposed funding model for the sustainment of Grants Ontario and the Transfer Payment Common Registration systems as enterprise systems for transfer payment management.
- ii) Directed all impacted ministries to:
 - a) Manage TPAM savings targets from within their ministry allocations.
 - b) Transfer base funding to MGCS for the sustainment of Grants Ontario and the Transfer Payment Common Registration systems, and to manage these costs from within their allocations.

In this regard, the Board directed that:

- 1) Ministries with operating expenses of greater than \$500,000,000 annually will transfer amounts to MGCS for the IT systems' base funding requirements as follows:
 - \$375,000 in 2017-18;
 - \$435,000 in 2018-19; and
 - \$500,000 in 2019-20 and ongoing.
- 2) Ministries with operating expenses of less than \$500,000,000 will transfer \$50,000 annually to MGCS.
- 3) Cabinet Office and Office of Francophone Affairs will not be required to transfer funding due to their size.

2017-18 Program Review, Renewal and Transformation Minuted Decisions

Report Back

- iii) TBS, as project lead for the TPAM transformation initiative, to report back on the progress of the initiative.

In this regard, the Board directed:

- a) TBS to work with the Ministry of Advanced Education and Skills Development, the Ministry of Agriculture, Food and Rural Affairs, the Ministry of the Attorney General, the Ministry of Children and Youth Services, the Ministry of Citizenship and Immigration, the Ministry of International Trade, the Ministry of Community and Social Services, the Ministry of Community Safety and Correctional Services, the Ministry of Economic Development and Growth, the Ministry of Education, the Ministry of Energy, the Ministry of the Environment and Climate Change, the Ministry of Finance, the Office of Francophone Affairs, the Ministry of Government and Consumer Services, the Ministry of Health and Long-Term Care, the Ministry of Indigenous Relations and Reconciliation, the Ministry of Infrastructure, the Ministry of Labour, the Ministry of Municipal Affairs, the Ministry of Housing, the Ministry of Natural Resources and Forestry, the Ministry of Tourism, Culture and Sport and the Ministry of Transportation and report back to TB/MBC as part of Quarterly Reporting and through the 2018-19 PRRT with a status update for all TPAM project initiatives, including an update on the achievement of savings targets.

Benefits Transformation

The Board received an update on the Benefits Transformation Initiative to modernize and integrate the Ontario's income-based benefit programs in order to move from a program-by-program to a citizen-focused approach to improve the way client access income-based benefits and make program administration more efficient.

As minuted through the 2016-17 PRRT, Benefits Transformation is expected to result in total savings of \$50,000,000 in 2017-18, \$75,000,000 in 2018-19, \$100,000,000 in 2019-20 and \$150,000,000 in 2020-21.

In this regard, the Board directed:

- i) Ministry of Finance (MOF) to work with the Ministry of Community and Social Services (MCSS), the Ministry of Health and Long-Term Care, the Ministry of Education, the Ministry of Advanced Education and Skills Development, the Ministry of Children and Youth Services (MCYS), the Ministry of the Attorney General (MAG), the Ministry of the Status of Women, the Ministry of Energy, the Ministry of Government and Consumer Services, the Ministry of Housing and Treasury Board Secretariat and report back to TB/MBC by Summer 2017 with analysis and plans on near-term and longer-term initiatives across government to modernize and integrate provincial income-based benefit programs including:
 - A progress update and detailed implementation plan for the near-term/Wave 1 initiatives, including a delivery model, a project management

2017-18 Program Review, Renewal and Transformation Minuted Decisions

approach, IT strategy and governance structure, and refined investments and savings;

- Identification and detailed implementation plans for longer-term/Wave 2 initiatives, including expanding near-term/Wave 1 initiatives across other benefit programs as quickly as possible;
 - Refined intended outcomes, including identification of clear and measurable outcomes with metrics, data sources and reporting schedules; and,
 - A plan to achieve outstanding savings and distribution across partner ministries for 2019-20 and 2020-21.
- ii) MOF to continue to work with partner ministries and report back to TB/MBC as part of Quarterly Reporting with a status update on Benefits Transformation initiatives.
- iii) All impacted ministries to manage Benefits Transformation savings targets from within their ministry allocations, including the MCSS, MCYS and MAG.

Government Realty

The Board received an update on the Government Realty Transformation Initiative which focuses on creating an efficient, flexible and sustainable realty portfolio to support program delivery and the future workforce.

In this regard, the Board directed:

- i) The Ministry of Infrastructure (MOI) to work with partner ministries on potential realty strategies that aligns with Ontario Public Sector transformation priorities, and report back through the 2018-19 PRRT;
- ii) MOI to continue to work with Treasury Board Secretariat (TBS) to develop the Toronto Workforce Strategy that will inform which staff will be housed in the reconstructed Macdonald Block, and report back through the 2018-19 PRRT with the proposed strategy and implementation plan;
- iii) MOI to continue to assess surplus properties to support broader government priorities including the development of Community Hubs; and
- iv) MOI to work with TBS to determine the necessary updates to the Management Board of Cabinet Realty Directive, and report back by Spring 2017 to request changes to the Directive.

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

IV) PROGRAM DECISIONS

The minutes are based on the Ministry identified program inventory, with details listed in the following attachments:

- Attachment 1: Ministry Program Report – Operating Expense
- Attachment 2: Ministry Program Report – Capital Expense

For Expenditure Estimates, the Ministry Vote/Item structure and related Treasury Board delegated authorities remain in place, with details listed in the following attachments:

- Attachment 3: Expenditure Monitoring Summary – Operating Expense
- Attachment 4: Expenditure Monitoring Summary – Operating Assets
- Attachment 5: Expenditure Monitoring Summary – Capital Expense
- Attachment 6: Expenditure Monitoring Summary – Capital Assets
- Attachment 15: Capital Vote Item Standard Account Activity (VISA) Ten Year Report

If applicable, the following attachments contain further details on the Ministry's minutes:

- Attachment 7: Transfer Payment Summary
- Attachment 8: Section 15 – Interim Payment Authority
- Attachment 9: Non-Tax Revenue Summary
- Attachment 10: Non-Tax Revenue Decisions
- Attachment 11: FTE Impact Summary
- Attachment 12: Report Backs
- Attachment 13: Holdbacks
- Attachment 14: Executive Controls
- Attachment 16: Capital Pre-Commitment Report
- Attachment 17: Major Public Infrastructure Projects

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

Strategic Asset Management & Transformation

This program supports the Province as a shareholder of Hydro One in regards to managing its investment and governance relationship.

In this regard, the Board:

- i) Approved the following multi-year resources for the program:

Financial Decisions	\$M	2017-18	2018-19	2019-20	2020-21
Operating Expense		280.0000	70.0000	0.0000	0.0000
Capital Expense		0.0000	0.0000	0.0000	0.0000
Total Expense		280.0000	70.0000	0.0000	0.0000
Operating Assets		0.0000			
Capital Assets		0.0000	0.0000	0.0000	0.0000

- ii) Noted the following multi-year capital resources:

Financial Decisions	\$M	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Capital Expense		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Capital Asset		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Operating Decisions

Planning Allocation Adjustments

Cash Contribution to First Nations

Approved an increase in the Ministry's allocation for cash contribution related to agreement in principle with First Nations related to broadening Hydro One ownership.

In this regard, the Board approved:

- i) Increases of \$15,000,000 in 2017-18, \$15,000,000 in 2018-19, and \$15, 000,000 in 2019-20 in the Ministry's Operating Expense allocation.

Creating/re-naming Votes, Items, Transfer Payments

Approved the creation of a Transfer Payment in Strategic Asset Management (Vote/item 2906-1).

In this regard, the Board approved:

- i) Creation of Strategic Asset Management Indigenous Engagement Transfer Payment, in Strategic Asset Management and Transformation (Vote/Item 2906-1)

2017-18 Program Review, Renewal and Transformation Minuted Decisions

Operating Expense

First Nations Hydro One Ownership

Approved the following transactions related to the agreement in principle with First Nations to broaden Hydro One Ownership.

In this regard, the Board:

- i) Approved an increase of \$45,000,000 in 2017-18 only in Cash Contribution for First Nations Transfer Payment, in Strategic Asset Management (Vote/item 2906-1), with the actual amount of payment subject to Definitive Agreements, and level of First Nations participating.
- ii) Approved decreases of \$15,000,000 in 2017-18, \$15,000,000 in 2018-19, and \$15,000,000 in 2019-20 to eliminate the planning allocation adjustment related to the Cash Contribution for First Nations (See previous Planning Allocation Adjustments section).
- iii) Noted that Strategic Asset Management (Vote 2906-1) includes \$135,000,000 for the financial benefit (Conferred Benefit) arising out of a share sale price that is below market share price and that, in order for the Ministry to recognize the financial benefit (Conferred Benefit) as an expenditure, the Lieutenant Governor in Council must prescribe the financial benefit as a new non-cash expense under clause 38(1)(a.1) of the Financial Administration Act.
- iv) Subject to the promulgation by the Lieutenant Governor in Council of a regulation described in iii) above, approved an increase of \$135,000,000 in 2017-18 in Conferred Benefit Amount, in Strategic Asset Management (Vote/item 2906-1), with the actual amount of the non-cash expense subject to the Definitive Agreements, level of First Nations participating, and market price at closing.
- v) Directed the Ministry to report back to Treasury Board upon close of the transaction with participation levels, actual payments and non-cash expenses.
- vi) Directed that, pending the promulgation of a regulation described in iii) above, the \$135,000,000 included in Strategic Asset Management (Vote 2906-1) for the financial benefit (Conferred Benefit) is subject to executive control and may not be used as an offset for an intra-ministerial Treasury Board Order and that, upon the promulgation of such a regulation, any underspending is subject to executive control back and may not be used as an offset for an intra-ministerial Treasury Board Order.

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

Hydro One Secondary Share Sale Strategy in 2017-18

Approved additional funding to cover projected transaction costs in 2017-18, in addition to the \$70,000,000 already in the Ministry's Allocation.

In this regard,

- i) Approved an increase of \$30,000,000 in 2017-18, in Services, in Strategic Asset Management (Vote/item 2906-1) for transactions costs arising from 2017-18 secondary share sale offer(s).
- ii) Directed that any underspending be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.

Internal Realignments

Approved the reallocation of resources between Ministry Administration and Strategic Asset Management to support the indigenous Engagement, with no financial impact on the Ministry's allocation.

In this regard, the Board approved:

- i) A reallocation of \$1,000 in 2017-18 to Strategic Asset Management Indigenous Engagement Transfer Payment (Vote/item 2906-1), offset from Services, in Strategic Asset Management (Vote/item 2906-1).

Ontario Rebate for Electricity Consumers

This initiative provides an 8% rebate equal to the provincial portion of HST to consumers eligible for the Regulated Price Plan (RPP) and other eligible consumers as defined by legislation – this includes about five million residential consumers, small businesses and farms.

In this regard, the Board:

- i) Approved the following multi-year resources for the program:

Financial Decisions	\$M	2017-18	2018-19	2019-20	2020-21
Operating Expense		939.0000	882.0000	882.0000	895.0000
Capital Expense		0.0000	0.0000	0.0000	0.0000
Total Expense		939.0000	882.0000	882.0000	895.0000
Operating Assets		0.0000			
Capital Assets		0.0000	0.0000	0.0000	0.0000

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

ii) Noted the following multi-year capital resources:

Financial Decisions	\$M	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Capital Expense		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Capital Asset		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Operating Decisions

Operating Expense

Planning Allocation Adjustments

Ontario Rebate for Electricity Consumers

Approved increases in the Ministry's allocation for the Ontario Rebate for Electricity Consumers (OREC).

In this regard, the Board approved:

- i) Increases of \$1,006,000,000 in 2017-18, \$1,004,000,000 in 2018-19, and \$1,004,000,000 in 2019-20, \$1,004,000,000 in 2020-21, and on-going in Ontario Rebate for Electricity Consumers Transfer Payment, in Electricity Price Mitigation (Vote/item 2905-1).

Creating/re-naming Votes, Items, Transfer Payments

Approved the renaming of Vote/Item 2905-1, formerly Ontario Clean Energy Benefit, to be renamed Electricity Price Mitigation (Vote/Item 2905-1) .

Internal Realignments

Approved the consolidating of various Transfer Payments under Electricity Price Mitigation (Vote 2905) within different items, to be under Electricity Price Mitigation (Vote/item 2905-1), as follows:

- i) Northern Ontario Energy Credit moves from (Vote/item 2905-2), to (Vote/item 2901-1)
- ii) Ontario Rebate for Electricity Consumers moves from (Vote/item 2905-3), (Vote/item 2905-1)

Ontario Rebate for Electricity Consumers (OREC)

Approved decreases to the Planning Allocation Adjustments (see below) based on updated forecast.

In this regard, the Board:

- i) Approved decreases of \$67,000,000 in 2017-18, \$122,000,000 in 2018-19, \$122,000,000 in 2019-20, and \$109,000,000 in 2020-21, and on-going in Ontario

2017-18 Program Review, Renewal and Transformation Minuted Decisions

Rebate for Electricity Consumers Transfer Payment, in Electricity Price Mitigation (Vote/item 2905-1).

- ii) Noted final OREC amounts of \$939,000,000 in 2017-18, \$882,000,000 in 2018-19, \$882,000,000 in 2019-20, \$895,000,000 in 2020-21.

Long-Term Energy Plan Program Initiatives

The group of Long-Term Energy Plan programs represent a small portion of the ministry's allocation but directly engages and impacts important ministry stakeholders. It is an important delivery mechanism to deliver on the Government's energy priorities, including:

- Supporting Ontario companies to develop, test, and commercialize the next generation of smart grid solutions through real-world demonstrations on Ontario's electricity system. This further solidifies Ontario's reputation as a global hub for smart grid technology, ensures Ontario energy consumers have one of the cleanest and most reliable electricity systems in the world, and gives them more control over their energy costs. It is a key component of the Long-Term Energy Plan, and supports green energy economic development and green jobs.
- Assisting community-based conservation planning and outreach, along with the delivery of conservation education initiatives to effect change in consumer behavior.
- Engaging energy industry stakeholders and groups in knowledge sharing, helping the broader public sector develop and implement conservation plans, and supporting the development of energy efficiency standards to be adopted by regulation.
- Support and encourage Indigenous community participation in the development of energy and conservation projects.
- Support the grid connection of remote Northwestern Ontario First Nation communities or explore other options to reduce diesel use where connection isn't economical.
- Providing immediate relief to electricity ratepayers by enhancing and broadening Electricity Social Programs and shifting from recovering costs from ratepayers, to being funded from government appropriations.

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

In this regard, the Board:

- i) Approved the following multi-year resources for the program:

Financial Decisions	\$M	2017-18	2018-19	2019-20	2020-21
Operating Expense		502.4474	756.4474	832.4474	895.4474
Capital Expense		0.0000	0.0000	0.0000	0.0000
Total Expense		502.4474	756.4474	832.4474	895.4474
Operating Assets		0.0000			
Capital Assets		0.0000	0.0000	0.0000	0.0000

- ii) Noted the following multi-year capital resources:

Financial Decisions	\$M	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Capital Expense		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Capital Asset		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Operating Decisions

Creating/re-naming Votes, Items, Transfer Payments

Approved the creation of Transfer Payments Electricity Price Mitigation (Vote/item 2905-1) related to the Ontario Fair Hydro Plan.

In this regard, the Board approved creation of:

- i) On-Reserve First Nations Delivery Credit Transfer Payment under Electricity Price Mitigation (Vote/item (2905-1)
- ii) Ontario Electricity Support Program Transfer Payment under Electricity Price Mitigation (Vote/item (2905-1)
- iii) Rural or Remote Rate Protection Program Transfer Payment under Electricity Price Mitigation (Vote/item (2905-1)

Operating Expense

Ontario Fair Hydro Plan – Electricity Social Programs

Approved the following programs moving from recovering costs from electricity ratepayers, to being funded from voted appropriations, pending passage of enabling legislation.

2017-18 Program Review, Renewal and Transformation Minuted Decisions

In this regard, the Board approved:

- i) Increases of \$344,000,000 in 2017-18, \$472,000,000 in 2018-19, \$484,000,000 in 2019-20, and \$497,000,000 in 2020-21 in Rural or Remote Rate Protection Program Transfer Payment, in Electricity Price Mitigation (Vote/Item 2905-1).
- ii) Increases of \$140,000,000 in 2017-18, \$261,000,000 in 2018-19, \$325,000,000 in 2019-20, and \$375,000,000 in 2020-21 in Ontario Electricity Support Program Transfer Payment, in Electricity Price Mitigation (Vote/Item 2905-1).
- iii) Increases of \$15,000,000 in 2017-18, \$20,000,000 in 2018-19, \$20,000,000 in 2019-20, and \$20,000,000 in 2020-21 in On-Reserve First Nations Delivery Credit Transfer Payment, in Electricity Price Mitigation (Vote/Item 2905-1).

Operating Assets

Approved the creation of an Operating Asset related to Ontario Fair Hydro Plan for Ontario Power Generation Share Purchases.

In this regard, the Board approved:

- i) An Operating Asset, \$1,100,000,000 in 2017-18, for investments, in Electricity Price Mitigation (Vote/Item 2905-5), for Ontario Power Generation share purchases.

Statutory Appropriations

Approved the following statutory appropriations:

- i) \$1,000 in 2017-18 and on-going in Energy Development and Management (Vote/Item 2902-S) for Bad Debt Expenses, under the Financial Administration Act.

Greenhouse Gas Reduction Account (GGRA)

Overnight Electric Vehicle Charging Initiative

Approved the Ministry of Energy to proceed with the implementation of the Overnight Electric Vehicle Charging Initiative, with funding of up to \$8,680,000 over four years to be drawn from the Greenhouse Gas Reduction Account, subject to the availability of cap and trade proceeds.

In this regard, the Board:

- i) Approved the creation of a new transfer payment line entitled Electric Vehicle Overnight Charging Rebate Program in the Energy Development and Management Program, Policy and Programs (Vote/Item 2902-1), and place it under executive control.
- ii) Approved the creation of a new recoveries line in the Energy Development and Management Program, Policy and Programs (Vote/Item 2902-1) for the purpose of recovering eligible costs from the Greenhouse Gas Reduction Account.

2017-18 Program Review, Renewal and Transformation Minuted Decisions

- iii) Approved increases in operating expenses of \$2,150,000 in 2017-18, \$2,180,000 in 2018-19, \$1,850,000 in 2019-20 and \$2,500,000 in 2020-21 in the Electric Vehicle Overnight Charging Rebate Program Transfer Payment, and corresponding increases in recoveries, in the Energy Development and Management Program, Policy and Programs (Vote/Item 2902-1) for the Overnight Electric Vehicle Charging Initiative identified in the Climate Change Action Plan.
- iv) Placed 2017-18 funding on holdback pending:
 - a) Completion of the evaluation by the Minister of the Environment and Climate Change (MOECC). In this regard:
 - 1) Directed the Ministry to submit the following information to the Ministry of the Environment and Climate Change by April 30, 2017 to enable the completion of the evaluation by the Minister of the Environment and Climate Change: detailed program design parameters, implementation timelines, delivery mechanisms and the estimated reduction in GHG emissions associated with program offerings.
 - b) A joint report back to Treasury Board/Management Board of Cabinet with the Ministry of the Environment and Climate Change to confirm the availability of proceeds from the cap and trade program.
- v) Directed the Ministry to seek a recovery from the Greenhouse Gas Reduction Account through a submission to the Ministry of the Environment and Climate Change for eligible expenditures incurred in relation to the initiative.
- vi) Directed the Ministry to work with MOECC to assess and confirm funding requirements for 2018-19 and beyond as part of the annual Greenhouse Gas Investment Plan.
- vii) Directed the Ministry to report back through the 2018-19 Program Review, Renewal and Transformation process to request funding requirements in 2018-19 and beyond.
- viii) Directed the Ministry to not enter into any agreements that will commit future year funding starting in 2018-19, without explicit approval of TB/MBC.
- ix) Directed the Ministry to:
 - a) Work with MOECC to estimate, measure and verify greenhouse gas reductions.
 - b) Work with MOECC to:
 - 1) Submit to MOECC monthly, and report back to TB/MBC as part of the quarterly in-year expenditure management and reporting process, or as requested, on the status of implementation, including collaboration with stakeholders, spending to date, forecast spending by year-end, and estimated greenhouse gas reduction achieved.

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

- 2) Develop and submit to MOECC monthly, and report back to TB/MBC as part of the quarterly in-year expenditure management and reporting process on performance outcomes, measurement details and methods, baseline and target values.
- c) Submit any other requested information to MOECC as required to support the completion of the MOECC Minister's evaluation, the development of standardized performance measures and the annual report on the implementation of the Climate Change Action Plan, as required under the Climate Change Mitigation and Low-carbon Economy Act, 2016.
- d) Develop a communications strategy in consultation with MOECC, Cabinet Office, Office of the Premier, Ministry of Finance and Treasury Board Secretariat prior to any announcements.

Energy Policy Development and Implementation

This program is responsible for developing Ontario's energy policy framework, which is central to the building of a strong and prosperous economy. It provides leadership and support to the energy sector to ensure clean, reliable, affordable and sustainable energy supply, transmission and distribution systems. The program supports energy conservation and efficiency, grid modernization, and the development of cleaner forms of energy. This program also oversees engagement and consultation with First Nations and Métis on provincial energy sector activities and projects while facilitating the participation of Aboriginal communities in renewable energy and transmission system developments.

In this regard, the Board:

- i) Approved the following multi-year resources for the program:

Financial Decisions	\$M	2017-18	2018-19	2019-20	2020-21
Operating Expense		21.0131	21.0131	21.0131	21.0131
Capital Expense		0.0020	0.0020	0.0020	0.0020
Total Expense		21.0151	21.0151	21.0151	21.0151
Operating Assets		0.0000			
Capital Assets		0.0010	0.0010	0.0010	0.0010

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

ii) Noted the following multi-year capital resources:

Financial Decisions	\$M	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Capital Expense		0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
Capital Asset		0.0010	0.0010	0.0010	0.0010	0.0010	0.0010

Operating Decisions

Operating Expense

Approved the Ministry's assignment of its savings target..

In this regard, the Board approved:

- i) A decrease of \$1,930,600 in 2017-18 and on-going, in Services, in Policy and Programs, (Vote/item 2902-1).

Transfers between Ministries

Grants Ontario

Approved a transfer of funding to the Ministry of Government and Consumer Services to support base funding for the Grants Ontario system.

In this regard, the Board approved:

- i) A decrease \$50,000 in 2017-18 and on-going, in Services, in Energy Development and Management (Vote/Item 2902-1), fully offset by an increase in the Ministry of Government Services, Ontario Shared Services (Vote/Item 1811-5) to support base funding for the Grants Ontario system.

Transfer of Investment & Governance Secretariat

Approved the transfer of time limited FTEs (temporary) from the Ministry of Energy to the Ministry of Finance for the Investment & Governance Secretariat.

In this regard, the Board Approved:

- i) The permanent inter-ministry transfer of five temporary FTEs in 2017-18 and 2018-19 only from the Ministry of Energy to the Ministry of Finance to support the Investment and Governance Secretariat.
- i) Decreases of \$930,000 in 2017-18 and \$930,000 in 2018-19 only, including \$580,000 in Salaries and Wages in each year, in the various standard accounts, in Energy Development and Management (Vote/Item 2902-1).

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

Other FTEs Decisions:

The Board approved the following FTE changes:

In this regard,

- ii) Approved a temporary inter-ministry transfer of 2 FTEs in 2017-18 only from the Ministry of Energy to the Ministry of Government and Consumer Services to support the Energy and Water Reporting and Benchmarking (EWRB) Project.
- iii) Directed the Ministry to manage the request related to Electricity Price Mitigation, for 4 permanent FTEs in 2017-18 and ongoing from within its current FTE allocation.

Electricity Market Operations & System Planning (Delivered by the Independent Electricity System Operator)

Effective January 1, 2015, the Ontario Power Authority (OPA) and IESO were merged into one single entity known as the IESO. The merger is expected to achieve greater agency efficiency for the benefits of ratepayers. The IESO balances the supply and demand for electricity in Ontario and directs its flow across the province's transmission lines. The new IESO continues the responsibilities of the OPA after the merger in 2015.

The key areas of focus are coordinating conservation efforts across the province, planning the power system and ensuring the development of the needed generation sources. While the IESO is consolidated with the Ministry of Energy, the government does not fund the IESO. Instead, the IESO recovers all its costs through an annual usage fee approved by the Ontario Energy Board and charged to electricity rate payers such that its expenses are fully offset from the electricity rate base.

In this regard, the Board:

- i) Approved the following multi-year resources for the program:

Financial Decisions	\$M	2017-18	2018-19	2019-20	2020-21
Operating Expense		196.3478	200.007	202.4266	202.4266
Capital Expense		22.0139	22.9235	23.3268	23.3268
Total Expense		218.3617	222.9305	225.7534	225.7534
Operating Assets		0.0000			
Capital Assets		0.0000	0.0000	0.0000	0.0000

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

ii) Noted the following multi-year capital resources:

Financial Decisions	\$M	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Capital Expense		23.3268	23.3268	23.3268	23.3268	23.3268	23.3268
Capital Asset		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Operating Decisions

Consolidation Updates

Approved updated consolidation forecasts for Independent Electricity System Operator.

In this regard, the Board noted:

- i) Increases of \$1,326,900 in 2017-18, \$6,039,600 in 2018-19, \$8,459,200 in 2019-20, of \$8,459,200 in 2020-21 in the Independent Electricity System Operator.

Capital Decisions

Consolidation Updates

Received updated consolidation forecasts for Independent Electricity System Operator.

In this regard, the Board noted:

- i) Increases of \$1,181,800 in 2017-18, \$3,072,400 in 2018-19, \$7,075,700 in 2019-20, \$7,075,700 in 2020-21, and \$7,075,700 in each of 2021-22, 2022-23, 2023-24, 2024-25, 2025-26 and 2026-27, in the Independent Electricity System Operator capital consolidation to reflect updated amortization forecast.

Electricity and Natural Gas Sector Regulation (Delivered by the Ontario Energy Board)

The Ontario Energy Board (OEB) oversees the Province's electricity and natural gas sectors through effective, fair and transparent regulation and in accordance with the objectives set out in the governing statutory framework. Its mission is to promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services at reasonable cost. Key functions include:

- Set gas and electricity rates and prices;
- Monitor the financial and operating performance of natural gas and electrical utilities;
- Provide consumers with the information they need to better understand energy matters;
- Protect energy consumers' interests; and
- Develop regulatory policy to meet challenges in the sector.

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

While the OEB is consolidated with the Ministry of Energy, the government does not fund the OEB. Instead, the OEB is self-funded and collects its revenue requirement from the entities that it regulates such that its expenses are fully offset by the electricity rate base.

In this regard, the Board:

- i) Approved the following multi-year resources for the program:

Financial Decisions	\$M	2017-18	2018-19	2019-20	2020-21
Operating Expense		44.514	44.704	44.704	44.704
Capital Expense		1.2238	1.3215	1.2861	0.7625
Total Expense		45.7378	46.0255	45.9901	45.4665
Operating Assets		0.0000			
Capital Assets		0.0000	0.0000	0.0000	0.0000

- ii) Noted the following multi-year capital resources:

Financial Decisions	\$M	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Capital Expense		0.7625	0.7625	0.7625	0.7625	0.7625	0.7625
Capital Asset		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Operating Decisions

Consolidation Updates

Approved updated consolidation forecasts for Ontario Energy Board.

In this regard, the Board noted:

- i) Increases of \$6,499,900 in 2017-18, \$6,400,000 in 2018-19, \$6,239,900 in 2019-20, and \$6,240,000 in 2020-21 in the Ontario Energy Board operating consolidation.

Capital Decisions

Consolidation Updates

Received updated consolidation forecasts for Ontario Energy Board.

In this regard, the Board noted:

- i) Decreases of \$160,300 in 2017-18, \$160,400 in 2018-19, and increases of \$100 in 2019-20, \$53,300 in 2020-21, and \$237,500 in each of 2021-22, 2022-23,

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

2023-24, 2024-25 and 2025-26 in the Ontario Energy Board capital consolidation to reflect updated amortization forecast.

Northern Ontario Energy Credit Program (TP)

The Northern Ontario Energy Credit (NOEC) was introduced in the 2010 Budget. The Northern Ontario Energy Credit helps low-to-moderate income individuals and families living in northern Ontario with their home energy costs, which are often higher in the North due to more severe winters. For the 2014-15 benefit year, qualifying individuals can receive up to \$148 and qualifying families (including single parents) can receive up to \$227.

The NOEC is a tax credit; its allocation was transferred to ENERGY in 2012 Budget as a result of presentation change in compliance with the new Public Sector Accounting Board (PSAB) standard to better reflect sector costs by ministry. The Ministry of Finance retains policy and legislative authority over NOEC and continues to coordinate program delivery and support activities.

In this regard, the Board:

- i) Approved the following multi-year resources for the program:

Financial Decisions	\$M	2017-18	2018-19	2019-20	2020-21
Operating Expense		26.0000	26.0000	26.0000	26.0000
Capital Expense		0.0000	0.0000	0.0000	0.0000
Total Expense		26.0000	26.0000	26.0000	26.0000
Operating Assets		0.0000			
Capital Assets		0.0000	0.0000	0.0000	0.0000

- ii) Noted the following multi-year capital resources:

Financial Decisions	\$M	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Capital Expense		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Capital Asset		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

Ministry Admin (Minister's Office, Deputy Minister's Office)

Ministry administration for the Ministry's Minister Office and Deputy Minister Office.

In this regard, the Board:

- i) Approved the following multi-year resources for the program:

Financial Decisions	\$M	2017-18	2018-19	2019-20	2020-21
Operating Expense		2.5689	2.5689	2.5689	2.5689
Capital Expense		0.0000	0.0000	0.0000	0.0000
Total Expense		2.5689	2.5689	2.5689	2.5689
Operating Assets		0.0000			
Capital Assets		0.0000	0.0000	0.0000	0.0000

- ii) Noted the following multi-year capital resources:

Financial Decisions	\$M	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Capital Expense		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Capital Asset		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Operating Decisions

Statutory Appropriations

Approved the following statutory appropriations:

- i) \$64,014 in 2017-18 in 2017-18 and on-going in Ministry Administration (Vote/Item 2901-S) for Minister's and Parliamentary Assistant's Salary, under the Executive Council Act.

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

Ministry Admin (Corporate Services Division)

Ministry administration for the Ministry's corporate services.

In this regard, the Board:

- i) Approved the following multi-year resources for the program:

Financial Decisions	\$M	2017-18	2018-19	2019-20	2020-21
Operating Expense		5.2118	5.2118	5.2118	5.2118
Capital Expense		0.0000	0.0000	0.0000	0.0000
Total Expense		5.2118	5.2118	5.2118	5.2118
Operating Assets		0.0000			
Capital Assets		0.0000	0.0000	0.0000	0.0000

- ii) Noted the following multi-year capital resources:

Financial Decisions	\$M	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Capital Expense		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Capital Asset		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Operating Decisions

Transfers between Ministries

IT Cluster Rationalization

Approved a transfer of funding to the Ministry of Government Services to support client ministry's consumption of services/costs.

In this regard, the Board approved:

- i) A decrease of \$9,700 in 2017-18 and on-going in Services, in Ministry Administration (Vote/item 2901-1), fully offset by an increase in the Ministry of Government Services.

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

Ministry Admin (Communication Services Branch)

Ministry administration for the Ministry's communications services.

In this regard, the Board:

- i) Approved the following multi-year resources for the program:

Financial Decisions	\$M	2017-18	2018-19	2019-20	2020-21
Operating Expense		4.1036	4.0886	4.0886	4.0886
Capital Expense		0.0000	0.0000	0.0000	0.0000
Total Expense		4.1036	4.0886	4.0886	4.0886
Operating Assets		0.0000			
Capital Assets		0.0000	0.0000	0.0000	0.0000

- ii) Noted the following multi-year capital resources:

Financial Decisions	\$M	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Capital Expense		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Capital Asset		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Operating Decisions

Transfers between Ministries

Approved the fiscally neutral transfer of Bulk Media funding from Ministry of Energy to Treasury Board Secretariat.

In this regard, the Board approved:

- i) A decrease of \$15,000 in 2017-18 and ongoing in Services, in Ministry Administration (Vote/Item 2905-1) offset by a corresponding increase in Treasury Board Secretariat.

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

Ministry Admin (Legal Services Branch)

Ministry administration for the Ministry's legal services.

In this regard, the Board:

- i) Approved the following multi-year resources for the program:

Financial Decisions	\$M	2017-18	2018-19	2019-20	2020-21
Operating Expense		3.2549	3.2549	3.2549	3.2549
Capital Expense		0.0000	0.0000	0.0000	0.0000
Total Expense		3.2549	3.2549	3.2549	3.2549
Operating Assets		0.0000			
Capital Assets		0.0000	0.0000	0.0000	0.0000

- ii) Noted the following multi-year capital resources:

Financial Decisions	\$M	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Capital Expense		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Capital Asset		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Operating Decisions

The Board approved the following FTE change:

- i) Approved a temporary inter-ministry transfer of 1 FTE in 2017-18 only from the Ministry of Energy to the Ministry of the Attorney General for Legal Services support.

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

V) NON-TAX REVENUE

Approved the Ministry's non-tax revenues as detailed in Attachment 10 – Non-Tax Revenue Decisions.

Ministry – Other Revenue

Received updated forecast for Ministry – Other Revenue related to asset optimization – broadening Hydro One ownership.

In this regard, the Board noted:

- i) Noted total Other Revenues of \$1,635,632,400 in 2017-18, \$6,544,600 in 2018-19, negative (\$215,026,800) in 2019-20, and negative (\$216,613,100) in 2020-21.

Revenue Consolidated Agencies

Received updated consolidation forecasts for consolidated agencies (Ontario Energy Board, and the Independent Electricity System Operator).

In this regard, the Board noted:

- i) Noted total Other Revenues of \$267,540,400 in 2017-18, \$272,465,800 in 2018-19, \$275,306,200 in 2019-20, and \$274,782,600 in 2020-21.

Revenue Government Business Enterprises

Received updated consolidation forecasts for government business enterprises (Ontario Power Generation, and Hydro One).

In this regard, the Board noted:

- i) Noted total Other Revenues of \$616,901,400 in 2017-18, \$1,293,950,300 in 2018-19, \$1,228,741,500 in 2019-20, and \$1,717,309,400 in 2020-21.

VI) FTE SUMMARY

The Board approved FTE changes as detailed in Attachment 11 – FTE Impact Summary.

VII) INTERIM PAYMENTS FROM THE CONSOLIDATED REVENUE FUND – N/A

VIII) REPORT BACKS – Pending

IX) HOLDBACKS – N/A

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

X) HOUSEKEEPING ADJUSTMENTS - GREENHOUSE GAS REDUCTION ACCOUNT

Ministry of Energy,

- i) Approved the creation of the following reclassification adjustment lines:
 - a) Operating expense adjustment – Greenhouse Gas Reduction Account reclassification.
- ii) Noted the following reclassification adjustment amounts:
 - a) \$2,150,000 in 2017-18, \$2,180,000 in 2018-19, \$1,850,000 in 2019-20, and \$2,500,000 in 2020-21 in Operating expense adjustment – Greenhouse Gas Reduction Account reclassification.

XI) EXECUTIVE CONTROLS

The Board approved redeploying underspending within Transfer Payments under Electricity Price Mitigation (Vote/item 2905-1) to address pressures elsewhere in Transfer Payments within Electricity Price Mitigation (Vote/item 2905-1).

The Board directed that no funding from within Electricity Price Mitigation (Vote/item 2905-1) is to be redeployed within the Ministry outside of Electricity Price Mitigation (Vote/item 2905-1).

XII) CAPITAL PRE-COMMITMENTS – N/A

XIII) MAJOR PUBLIC INFRASTRUCTURE PROJECTS – N/A

Ministry of Energy

2017-18 Program Review, Renewal and Transformation Minuted Decisions

XIV) ATTACHMENTS

Details of the above decisions are provided in the following Attachments:

Attachment 1	Ministry Program Report – Operating Expense
Attachment 2	Ministry Program Report – Capital Expense
Attachment 3	Expenditure Monitoring Summary – Operating Expense
Attachment 4	Expenditure Monitoring Summary – Operating Assets
Attachment 5	Expenditure Monitoring Summary – Capital Expense
Attachment 6	Expenditure Monitoring Summary – Capital Assets
Attachment 7	Transfer Payment Summary
Attachment 8	Section 15 - Interim Payment Authority – N/A
Attachment 9	Non-Tax Revenue Summary
Attachment 10	Non-Tax Revenue Decisions
Attachment 11	FTE Impact Summary
Attachment 12	Report Backs
Attachment 13	Holdbacks
Attachment 14	Executive Controls
Attachment 15	Capital Vote Item Standard Account Activity (VISA) Ten Year Report
Attachment 16	Capital Pre-Commitment Report – N/A
Attachment 17	Major Public Infrastructure Projects – N/A

Ministry Program Report - Operating Expense

Attachment 1

Operating Expense

	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21
Energy	2,026.6115	2,017.4907	2,025.5803	2,102.2303
*UNASSIGNED PROGRAM	2.1747	2.2047	1.8747	2.5247
D0046422 - ENE: GGRA Adjustment: EV Overnight Charging Rebate Program	2.1500	2.1800	1.8500	2.5000
D0046689 - Breakdown: Prior Approvals	0.0247	0.0247	0.0247	0.0247
Ministry Unassigned Savings Target	0.0000	0.0000	0.0000	0.0000
D0034770 - Base - Operating Expense - \$	(1.9822)	(1.9822)	(1.9822)	(1.9822)
D0042333 - ENE: TPAM Adj to Savings Target	0.0516	0.0516	0.0516	0.0516
D0042979 - ENE: Ministry Savings Target	1.9306	1.9306	1.9306	1.9306
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	44.5140	44.7040	44.7040	44.7040
D0034770 - Base - Operating Expense - \$	38.0141	38.3040	38.4641	38.4640
D0042543 - ENE: Consolidation Adjustment - Ontario Energy Board	5.4121	6.4000	6.2399	6.2400
D0043775 - ENE: Consolidation - OEB Amt no Rev offset	1.0878			
Strategic Asset Management & Transformation	280.0000	70.0000	0.0000	
D0034770 - Base - Operating Expense - \$	70.0000	70.0000		
D0039065 - MENE: First Nations H1 Ownership	15.0000	15.0000	15.0000	
D0042437 - ENE: Accel H1 Share Sale in 17-18	30.0000			
D0042460 - ENE: Transfer Payment to First Nations	30.0000	(15.0000)	(15.0000)	
D0042465 - ENE: First Nations Conferred Benefit Amount - H1	135.0000			
Electricity Market Operations & System Planning (Delivered by the IESO)	196.3478	200.0070	202.4266	202.4266
D0034770 - Base - Operating Expense - \$	195.0209	193.9674	193.9674	193.9674
D0042558 - ENE: Consolidation Adjustment - Independent Electricity System Operator	1.3269	6.0396	8.4592	8.4592
Energy Policy Development and Implementation	21.0131	21.0131	21.0131	21.0131
D0034770 - Base - Operating Expense - \$	23.2687	23.2687	22.9937	22.9937
D0034890 - Rollover D0028702: ENERGY - 5 new FTEs for the Investment and Governance Secretariat	0.6550	0.6550		
D0042340 - ENE: TPAM - Grants Ontario Funding Model Transfer	(0.0500)	(0.0500)	(0.0500)	(0.0500)
D0042979 - ENE: Ministry Savings Target	(1.9306)	(1.9306)	(1.9306)	(1.9306)
D0045001 - MOF: Transfer of I & G Secretariat from Energy	(0.9300)	(0.9300)		

Ministry Program Report - Operating Expense

Attachment 1

Operating Expense

	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21
Energy	2,026.6115	2,017.4907	2,025.5803	2,102.2303
Long-Term Energy Plan Program Initiatives (TP)	502.4474	756.4474	832.4474	895.4474
D0034770 - Base - Operating Expense - \$	3.4474	3.4474	3.4474	3.4474
D0045900 - ENE: Electricity Price Mitigation Programs	565.0000	753.0000	829.0000	892.0000
D0046379 - ENE: Electricity Price Mitigation Forecast Update	(66.0000)			
Ministry Admin (Communication Services Branch)	4.0886	4.0886	4.0886	4.0886
D0034770 - Base - Operating Expense - \$	4.1186	4.1186	4.1186	4.1186
D0039713 - TBS: Bulk Media Buy Transfers Out-years	(0.0150)	(0.0150)	(0.0150)	(0.0150)
D0046689 - Breakdown: Prior Approvals	(0.0150)	(0.0150)	(0.0150)	(0.0150)
Ministry Admin (Corporate Services Division)	5.2021	5.2021	5.2021	5.2021
D0034770 - Base - Operating Expense - \$	6.4877	5.2215	5.2215	5.2215
D0036685 - Rollover D0029970: Transfer from Energy to MEDEI	(1.2662)			
D0041166 - [R 2017] MOI/MEDG/MRIS/ENERGY/MGCS to MGCS Transfer for IT-Rationalization Initiatives	(0.0097)	(0.0097)	(0.0097)	(0.0097)
D0046689 - Breakdown: Prior Approvals	(0.0097)	(0.0097)	(0.0097)	(0.0097)
Ministry Admin (Legal Services Branch)	3.2549	3.2549	3.2549	3.2549
D0034770 - Base - Operating Expense - \$	3.2549	3.2549	3.2549	3.2549
Ministry Admin (MO, DMO)	2.5689	2.5689	2.5689	2.5689
D0034770 - Base - Operating Expense - \$	2.5689	2.5689	2.5689	2.5689
Northern Ontario Energy Credit Program (TP)	26.0000	26.0000	26.0000	26.0000
D0034770 - Base - Operating Expense - \$	26.0000	26.0000	26.0000	26.0000
Ontario Rebate for Electricity Consumers Program (TP)	939.0000	882.0000	882.0000	895.0000
D0039520 - ENE: Electricity Price Mitigation	1,006.0000	1,004.0000	1,004.0000	1,004.0000
D0046380 - ENE: 8% Rebate for Electricity Consumers Forecast Update	(67.0000)	(122.0000)	(122.0000)	(109.0000)

Ministry Program Report - Capital Expense

Attachment 2

Capital Expense

	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
Energy	23.2397	24.2470	24.6149	24.0913	24.0913	24.0913	24.0913	24.0913	24.0913	24.0913
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)	1.2238	1.3215	1.2861	0.7625	0.7625	0.7625	0.7625	0.7625	0.7625	0.7625
D0034772 - Base - Capital Expense - \$	1.3841	1.4819	1.2860	0.7092	0.5250	0.5250	0.5250	0.5250	0.5250	0.5250
D0042543 - ENE: Consolidation Adjustment - Ontario Energy Board	(0.1603)	(0.1604)	0.0001	0.0533	0.2375	0.2375	0.2375	0.2375	0.2375	0.2375
Electricity Market Operations & System Planning (Delivered by the IESO)	22.0139	22.9235	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268
D0034772 - Base - Capital Expense - \$	20.8321	19.8511	16.2511	16.2511	16.2511	16.2511	16.2511	16.2511	16.2511	16.2511
D0042558 - ENE: Consolidation Adjustment - Independent Electricity System Operator	1.1818	3.0724	7.0757	7.0757	7.0757	7.0757	7.0757	7.0757	7.0757	7.0757
Energy Policy Development and Implementation	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
D0034772 - Base - Capital Expense - \$	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020

**Expenditure Monitoring
Ministry of Energy
Operating Expense
Budget 2017-18**
(\$ Millions)

Attachment 3

Workflow: Approved
Phase: Fiscal Based Outlook
View: Final
Detail

	Salaries and wages	Employee benefits	Transportation and communication	Services	Supplies and equipment	Transfer payments	Other transactions	Recoveries	Unspecified	Operating Expense
Energy Vote-Items										
2901-Ministry Administration Program										
2901-01-OE Ministry Administration										
D0034770 Base - Operating Expense - \$	7.7170	0.9598	0.3127	11.3864	0.3436	-	-	(4.3534)	-	16.3661
D0036685 Transfer from Energy to MEDEI	(0.9163)	(0.1100)	-	(0.2399)	-	-	-	-	-	(1.2662)
D0039713 TBS: Bulk Media Buy Transfers Out-years	-	-	-	(0.0150)	-	-	-	-	-	(0.0150)
D0041166 MGCS: GSIC IT-Rationalization Transfers	-	-	-	(0.0097)	-	-	-	-	-	(0.0097)
D0046689 Breakdown: Prior Approvals	-	-	-	-	-	-	-	-	-	-
D0047362 ENERGY: Clearing N/A in PRRT Programs	-	-	-	-	-	-	-	-	-	-
2901-01-OE Ministry Administration	6.8007	0.8498	0.3127	11.1218	0.3436	-	-	(4.3534)	-	15.0752
2901-16 Statutory Appropriations										
D0034770 Base - Operating Expense - \$	0.0640	-	-	-	-	-	-	-	-	0.0640
2901-16 Statutory Appropriations	0.0640	-	-	-	-	-	-	-	-	0.0640
2901-Ministry Administration Program	6.8647	0.8498	0.3127	11.1218	0.3436	-	-	(4.3534)	-	15.1392
2902-Energy Development and Management										
2902-01 Policy and Programs										
D0034770 Base - Operating Expense - \$	12.3142	1.4979	0.3850	8.7580	0.3126	3.4474	-	-	-	26.7151
D0034890 ENERGY - 5 new FTEs for the Investment and Governance Sec	0.5800	0.0750	-	-	-	-	-	-	-	0.6550
D0037476 Specifying One Time /Time Limited Expense - Energy	-	-	-	-	-	-	-	-	-	-
D0042470 ENE: 8% Rebate Admin - Perm 4 FTE and Funding	-	-	-	-	-	-	-	-	-	-
D0042979 ENE: Ministry Savings Target	-	-	-	(1.9306)	-	-	-	-	-	(1.9306)
D0045001 MOF: Transfer of I & G Secretariat from Energy	(0.5800)	(0.0750)	-	(0.2750)	-	-	-	-	-	(0.9300)
D0045901 ENE: Affordability Fund	-	-	-	-	-	-	-	-	-	-
D0042340 ENE: TPAM - Grants Ontario Funding Model Transfer	-	-	-	(0.0500)	-	-	-	-	-	(0.0500)
D0042201 ENE GGRA Request: EV Overnight Charging Rebate Program	-	-	-	-	-	2.1500	-	(2.1500)	-	-
2902-01 Policy and Programs	12.3142	1.4979	0.3850	6.5024	0.3126	5.5974	-	(2.1500)	-	24.4595
2902-19 Statutory Appropriations										
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	0.0010	-	-	0.0010
2902-19 Statutory Appropriations	-	-	-	-	-	-	0.0010	-	-	0.0010
2902-Energy Development and Management	12.3142	1.4979	0.3850	6.5024	0.3126	5.5974	0.0010	(2.1500)	-	24.4605
2905-Electricity Price Mitigation										
2905-01 Electricity Price Mitigation Programs										
D0045900 ENE: Electricity Price Mitigation Programs	-	-	-	-	-	565.0000	-	-	-	565.0000
D0046166 ENE: Wrap-up - Consolidating TPs under Vote 2905 EPM	-	-	-	-	-	1,032.0000	-	-	-	1,032.0000

Expenditure Monitoring
Ministry of Energy
Operating Expense
Budget 2017-18
(\$ Millions)

Attachment 3

Workflow: Approved
Phase: Fiscal Based Outlook
View: Final
Detail

	Salaries and wages	Employee benefits	Transportation and communication	Services	Supplies and equipment	Transfer payments	Other transactions	Recoveries	Unspecified	Operating Expense
D0046379 ENE: Electricity Price Mitigation Forecast Update	-	-	-	-	-	(66.0000)	-	-	-	(66.0000)
D0046380 ENE: 8% Rebate for Electricity Consumers Forecast Update	-	-	-	-	-	(67.0000)	-	-	-	(67.0000)
2905-01 Electricity Price Mitigation Programs	-	-	-	-	-	1,464.0000	-	-	-	1,464.0000
2905-02 Northern Ontario Energy Credit										
D0034770 Base - Operating Expense - \$	-	-	-	-	-	26.0000	-	-	-	26.0000
D0046166 ENE: Wrap-up - Consolidating TPs under Vote 2905 EPM	-	-	-	-	-	(26.0000)	-	-	-	(26.0000)
2905-02 Northern Ontario Energy Credit	-	-	-	-	-	-	-	-	-	-
2905-03 Ontario Rebate for Electricity Consumers										
D0039520 ENE: Electricity Price Mitigation	-	-	-	-	-	1,006.0000	-	-	-	1,006.0000
D0042468 ENE: Updated Forecast 8% Electricity Rebate	-	-	-	-	-	-	-	-	-	-
D0046166 ENE: Wrap-up - Consolidating TPs under Vote 2905 EPM	-	-	-	-	-	(1,006.0000)	-	-	-	(1,006.0000)
2905-03 Ontario Rebate for Electricity Consumers	-	-	-	-	-	-	-	-	-	-
2905-Electricity Price Mitigation	-	-	-	-	-	1,464.0000	-	-	-	1,464.0000
2906-Strategic Asset Management										
2906-01 Strategic Asset Management and Transformation										
D0034770 Base - Operating Expense - \$	-	-	-	70.0000	-	-	-	-	-	70.0000
D0037476 Specifying One Time /Time Limited Expense - Energy	-	-	-	-	-	-	-	-	-	-
D0042437 ENE: Accel H1 Share Sale in 17-18	-	-	-	30.0000	-	-	-	-	-	30.0000
D0042460 ENE: Transfer Payment to First Nations	-	-	-	-	-	45.0000	-	-	-	45.0000
D0042465 ENE: First Nations Conferred Benefit Amount - H1	-	-	-	-	-	135.0000	-	-	-	135.0000
D0046316 ENE: Wrap-up - \$1,000 Placeholder for new TP 2906	-	-	-	(0.0010)	-	0.0010	-	-	-	-
2906-01 Strategic Asset Management and Transformation	-	-	-	99.9990	-	180.0010	-	-	-	280.0000
2906-Strategic Asset Management	-	-	-	99.9990	-	180.0010	-	-	-	280.0000
29UN-Account Type										
29UN-UO Unspecified Operating										
D0039065 MENE: First Nations H1 Ownership	-	-	-	-	-	-	15.0000	-	-	15.0000
D0042460 ENE: Transfer Payment to First Nations	-	-	-	-	-	-	(15.0000)	-	-	(15.0000)
29UN-UO Unspecified Operating	-	-	-	-	-	-	-	-	-	-
29UN-Account Type	-	-	-	-	-	-	-	-	-	-
2959-Operating Savings Target										
2959-01 Operating Savings Target										
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	-	(1.9306)	(0.0516)	(1.9822)
D0042979 ENE: Ministry Savings Target	-	-	-	-	-	-	-	1.9306	-	1.9306

Expenditure Monitoring
Ministry of Energy
Operating Expense
Budget 2017-18
(\$ Millions)

Attachment 3

Workflow: Approved
Phase: Fiscal Based Outlook
View: Final
Detail

	Salaries and wages	Employee benefits	Transportation and communication	Services	Supplies and equipment	Transfer payments	Other transactions	Recoveries	Unspecified	Operating Expense
D0042333 ENE: Adj to TPAM Savings Target	-	-	-	-	-	-	-	-	0.0516	0.0516
2959-01 Operating Savings Target	-	-	-	-	-	-	-	-	-	-
2959-Operating Savings Target	-	-	-	-	-	-	-	-	-	-
Energy Vote-Items	19.1789	2.3477	0.6977	117.6232	0.6562	1,649.5984	0.0010	(6.5034)	-	1,783.5997
Energy Consolidations										
29CO-Consolidations Adj. (Operating)										
29CO-01 Consolidation Adj. - Independent Electricity System Operator	-	-	-	-	-	-	195.0209	-	-	195.0209
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	(0.5244)	-	-	1.3269
D0042558 ENE: Consolidation Adjustment - IESO	4.4746	(1.1589)	(0.0021)	(1.3142)	(0.1481)	-	-	-	-	-
29CO-01 Consolidation Adj. - Independent Electricity System Operator	4.4746	(1.1589)	(0.0021)	(1.3142)	(0.1481)	-	194.4965	-	-	196.3478
29CO-02 Consolidation Adjustment - Ontario Energy Board	-	-	-	-	-	-	38.0141	-	-	38.0141
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	-	-	-	1.0878
D0043775 ENE: Consolidation - OEB Amt no Rev offset	-	-	-	1.0878	-	-	-	-	-	-
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	(0.0003)	0.0003	0.1950	5.2172	(0.0001)	-	-	-	-	5.4121
29CO-02 Consolidation Adjustment - Ontario Energy Board	(0.0003)	0.0003	0.1950	6.3050	(0.0001)	-	38.0141	-	-	44.5140
29CO-30 Operating expense adjustment Greenhouse Gas Reduction Account	-	-	-	-	-	-	2.1500	-	-	2.1500
D0046422 ENE: GGRA Adjustment: EV Overnight Charging Rebate Prog.	-	-	-	-	-	-	2.1500	-	-	2.1500
29CO-30 Operating expense adjustment Greenhouse Gas Reduction Account	-	-	-	-	-	-	-	-	-	-
29CO-Consolidations Adj. (Operating)	4.4743	(1.1586)	0.1929	4.9908	(0.1482)	-	234.6606	-	-	243.0118
Energy Consolidations	4.4743	(1.1586)	0.1929	4.9908	(0.1482)	-	234.6606	-	-	243.0118
Energy Consolidated	23.6532	1.1891	0.8906	122.6140	0.5080	1,649.5984	234.6616	(6.5034)	-	2,026.6115

**Expenditure Monitoring
Ministry of Energy
Operating Expense
Budget 2018-19**
(\$ Millions)

Attachment 3

Workflow: Approved
Phase: Fiscal Based Outlook
View: Final
Detail

	Salaries and wages	Employee benefits	Transportation and communication	Services	Supplies and equipment	Transfer payments	Other transactions	Recoveries	Unspecified	Operating Expense
Energy Vote-Items										
2901-Ministry Administration Program										
2901-01-OE Ministry Administration										
D0034770 Base - Operating Expense - \$	6.8007	0.8498	0.3127	11.1465	0.3436	-	-	(4.3534)	-	15.0999
D0039713 TBS:Bulk Media Buy Transfers Out-years	-	-	-	(0.0150)	-	-	-	-	-	(0.0150)
D0041166 MGCS: GSIC IT-Rationalization Transfers	-	-	-	(0.0097)	-	-	-	-	-	(0.0097)
D0046689 Breakdown: Prior Approvals	-	-	-	-	-	-	-	-	-	-
D0047362 ENERGY: Clearing N/A in PRRT Programs	-	-	-	-	-	-	-	-	-	-
2901-01-OE Ministry Administration	6.8007	0.8498	0.3127	11.1218	0.3436	-	-	(4.3534)	-	15.0752
2901-16 Statutory Appropriations										
D0034770 Base - Operating Expense - \$	0.0640	-	-	-	-	-	-	-	-	0.0640
2901-16 Statutory Appropriations	0.0640	-	-	-	-	-	-	-	-	0.0640
2901-Ministry Administration Program	6.8647	0.8498	0.3127	11.1218	0.3436	-	-	(4.3534)	-	15.1392
2902-Energy Development and Management										
2902-01 Policy and Programs										
D0034770 Base - Operating Expense - \$	12.3142	1.4979	0.3850	8.7580	0.3126	3.4474	-	-	-	26.7151
D0034890 ENERGY - 5 new FTEs for the Investment and Governance Sec	0.5800	0.0750	-	-	-	-	-	-	-	0.6550
D0037476 Specifying One Time /Time Limited Expense - Energy	-	-	-	-	-	-	-	-	-	-
D0042470 ENE: 8% Rebate Admin - Perm 4 FTE and Funding	-	-	-	-	-	-	-	-	-	-
D0042979 ENE: Ministry Savings Target	-	-	-	(1.9306)	-	-	-	-	-	(1.9306)
D0045001 MOF: Transfer of I & G Secretariat from Energy	(0.5800)	(0.0750)	-	(0.2750)	-	-	-	-	-	(0.9300)
D0045901 ENE: Affordability Fund	-	-	-	-	-	-	-	-	-	-
D0042340 ENE: TPAM - Grants Ontario Funding Model Transfer	-	-	-	(0.0500)	-	-	-	-	-	(0.0500)
D0042201 ENE GGRA Request: EV Overnight Charging Rebate Program	-	-	-	-	-	2.1800	-	(2.1800)	-	-
2902-01 Policy and Programs	12.3142	1.4979	0.3850	6.5024	0.3126	5.6274	-	(2.1800)	-	24.4595
2902-19 Statutory Appropriations										
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	0.0010	-	-	0.0010
2902-19 Statutory Appropriations	-	-	-	-	-	-	0.0010	-	-	0.0010
2902-Energy Development and Management	12.3142	1.4979	0.3850	6.5024	0.3126	5.6274	0.0010	(2.1800)	-	24.4605
2905-Electricity Price Mitigation										
2905-01 Electricity Price Mitigation Programs										
D0045900 ENE: Electricity Price Mitigation Programs	-	-	-	-	-	753.0000	-	-	-	753.0000
D0046166 ENE: Wrap-up - Consolidating TPs under Vote 2905 EPM	-	-	-	-	-	1,030.0000	-	-	-	1,030.0000
D0046380 ENE: 8% Rebate for Electricity Consumers Forecast Update	-	-	-	-	-	(122.0000)	-	-	-	(122.0000)

**Expenditure Monitoring
Ministry of Energy
Operating Expense
Budget 2018-19**
(\$ Millions)

Attachment 3

Workflow: Approved
Phase: Fiscal Based Outlook
View: Final
Detail

	Salaries and wages	Employee benefits	Transportation and communication	Services	Supplies and equipment	Transfer payments	Other transactions	Recoveries	Unspecified	Operating Expense
2905-01 Electricity Price Mitigation Programs	-	-	-	-	-	1,661.0000	-	-	-	1,661.0000
2905-02 Northern Ontario Energy Credit	-	-	-	-	-	-	-	-	-	-
D0034770 Base - Operating Expense - \$	-	-	-	-	-	26.0000	-	-	-	26.0000
D0046166 ENE: Wrap-up - Consolidating TPs under Vote 2905 EPM	-	-	-	-	-	(26.0000)	-	-	-	(26.0000)
2905-02 Northern Ontario Energy Credit	-	-	-	-	-	-	-	-	-	-
2905-03 Ontario Rebate for Electricity Consumers	-	-	-	-	-	-	-	-	-	-
D0039520 ENE: Electricity Price Mitigation	-	-	-	-	-	1,004.0000	-	-	-	1,004.0000
D0042468 ENE: Updated Forecast 8% Electricity Rebate	-	-	-	-	-	-	-	-	-	-
D0046166 ENE: Wrap-up - Consolidating TPs under Vote 2905 EPM	-	-	-	-	-	(1,004.0000)	-	-	-	(1,004.0000)
2905-03 Ontario Rebate for Electricity Consumers	-	-	-	-	-	-	-	-	-	-
2905-Electricity Price Mitigation	-	-	-	-	-	1,661.0000	-	-	-	1,661.0000
2906-Strategic Asset Management	-	-	-	-	-	-	-	-	-	-
2906-01 Strategic Asset Management and Transformation	-	-	-	-	-	-	-	-	-	-
D0034770 Base - Operating Expense - \$	-	-	-	70.0000	-	-	-	-	-	70.0000
D0037476 Specifying One Time /Time Limited Expense - Energy	-	-	-	-	-	-	-	-	-	-
2906-01 Strategic Asset Management and Transformation	-	-	-	70.0000	-	-	-	-	-	70.0000
2906-Strategic Asset Management	-	-	-	70.0000	-	-	-	-	-	70.0000
29UN-Account Type	-	-	-	-	-	-	-	-	-	-
29UN-UO Unspecified Operating	-	-	-	-	-	-	-	-	-	-
D0039065 MENE: First Nations H1 Ownership	-	-	-	-	-	-	15.0000	-	-	15.0000
D0042468 ENE: Transfer Payment to First Nations	-	-	-	-	-	-	(15.0000)	-	-	(15.0000)
29UN-UO Unspecified Operating	-	-	-	-	-	-	-	-	-	-
29UN-Account Type	-	-	-	-	-	-	-	-	-	-
2959-Operating Savings Target	-	-	-	-	-	-	-	-	-	-
2959-01 Operating Savings Target	-	-	-	-	-	-	-	-	-	-
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	-	(1.9306)	(0.0516)	(1.9822)
D0042979 ENE: Ministry Savings Target	-	-	-	-	-	-	-	1.9306	-	1.9306
D0042333 ENE: Adj to TPAM Savings Target	-	-	-	-	-	-	-	-	0.0516	0.0516
2959-01 Operating Savings Target	-	-	-	-	-	-	-	-	-	-
2959-Operating Savings Target	-	-	-	-	-	-	-	-	-	-
Energy Vote-Items	19.1789	2.3477	0.6977	87.6242	0.6562	1,666.6274	0.0010	(6.5334)	-	1,770.5997

Expenditure Monitoring
Ministry of Energy
Operating Expense
Budget 2018-19
(\$ Millions)

Attachment 3

Workflow: Approved
Phase: Fiscal Based Outlook
View: Final
Detail

	Salaries and wages	Employee benefits	Transportation and communication	Services	Supplies and equipment	Transfer payments	Other transactions	Recoveries	Unspecified	Operating Expense
Energy Consolidations										
29CO-Consolidations Adj. (Operating)										
29CO-01 Consolidation Adj. - Independent Electricity System Operator										
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	193.9674	-	-	193.9674
D0042558 ENE: Consolidation Adjustment - IESO	7.2338	(0.1026)	(0.0018)	(0.7467)	(0.1524)	-	(0.1907)	-	-	6.0396
29CO-01 Consolidation Adj. - Independent Electricity System Operator	7.2338	(0.1026)	(0.0018)	(0.7467)	(0.1524)	-	193.7767	-	-	200.0070
29CO-02 Consolidation Adjustment - Ontario Energy Board										
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	38.3040	-	-	38.3040
D0043775 ENE: Consolidation - OEB Amt no Rev offset	-	-	-	-	-	-	-	-	-	-
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	(0.0006)	0.0005	0.1921	6.2080	-	-	-	-	-	6.4000
29CO-02 Consolidation Adjustment - Ontario Energy Board	(0.0006)	0.0005	0.1921	6.2080	-	-	38.3040	-	-	44.7040
29CO-30 Operating expense adjustment Greenhouse Gas Reduction Account										
D0046422 ENE: GGRA Adjustment: EV Overnight Charging Rebate Prog.	-	-	-	-	-	-	2.1800	-	-	2.1800
29CO-30 Operating expense adjustment Greenhouse Gas Reduction Account	-	-	-	-	-	-	2.1800	-	-	2.1800
29CO-Consolidations Adj. (Operating)	7.2332	(0.1021)	0.1903	5.4613	(0.1524)	-	234.2607	-	-	246.8910
Energy Consolidations	7.2332	(0.1021)	0.1903	5.4613	(0.1524)	-	234.2607	-	-	246.8910
Energy Consolidated	26.4121	2.2456	0.8880	93.0855	0.5038	1,666.6274	234.2617	(6.5334)	-	2,017.4907

**Expenditure Monitoring
Ministry of Energy
Operating Expense
Budget 2019-20**
(\$ Millions)

Attachment 3

Workflow: Approved
Phase: Fiscal Based Outlook
View: Final
Detail

	Salaries and wages	Employee benefits	Transportation and communication	Services	Supplies and equipment	Transfer payments	Other transactions	Recoveries	Unspecified	Operating Expense
Energy Vote-Items										
2901-Ministry Administration Program										
2901-01-OE Ministry Administration										
D0034770 Base - Operating Expense - \$	6.8007	0.8498	0.3127	11.1465	0.3436	-	-	(4.3534)	-	15.0999
D0039713 TBS: Bulk Media Buy Transfers Out-years	-	-	-	(0.0150)	-	-	-	-	-	(0.0150)
D0041166 MGCS: GSIC IT-Rationalization Transfers	-	-	-	(0.0097)	-	-	-	-	-	(0.0097)
D0046689 Breakdown: Prior Approvals	-	-	-	-	-	-	-	-	-	-
D0047362 ENERGY: Clearing N/A in PRRT Programs	-	-	-	-	-	-	-	-	-	-
2901-01-OE Ministry Administration	6.8007	0.8498	0.3127	11.1218	0.3436	-	-	(4.3534)	-	15.0752
2901-16 Statutory Appropriations										
D0034770 Base - Operating Expense - \$	0.0640	-	-	-	-	-	-	-	-	0.0640
2901-16 Statutory Appropriations	0.0640	-	-	-	-	-	-	-	-	0.0640
2901-Ministry Administration Program	6.8647	0.8498	0.3127	11.1218	0.3436	-	-	(4.3534)	-	15.1392
2902-Energy Development and Management										
2902-01 Policy and Programs										
D0034770 Base - Operating Expense - \$	12.3142	1.4979	0.3850	8.4830	0.3126	3.4474	-	-	-	26.4401
D0042470 ENE: 8% Rebate Admin - Perm 4 FTE and Funding	-	-	-	-	-	-	-	-	-	-
D0042979 ENE: Ministry Savings Target	-	-	-	(1.9306)	-	-	-	-	-	(1.9306)
D0042340 ENE: TPAM - Grants Ontario Funding Model Transfer	-	-	-	(0.0500)	-	-	-	-	-	(0.0500)
D0042201 ENE GGRA Request: EV Overnight Charging Rebate Program	-	-	-	-	-	1.8500	-	(1.8500)	-	-
2902-01 Policy and Programs	12.3142	1.4979	0.3850	6.5024	0.3126	5.2974	-	(1.8500)	-	24.4595
2902-19 Statutory Appropriations										
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	0.0010	-	-	0.0010
2902-19 Statutory Appropriations	-	-	-	-	-	-	0.0010	-	-	0.0010
2902-Energy Development and Management	12.3142	1.4979	0.3850	6.5024	0.3126	5.2974	0.0010	(1.8500)	-	24.4605
2905-Electricity Price Mitigation										
2905-01 Electricity Price Mitigation Programs										
D0045900 ENE: Electricity Price Mitigation Programs	-	-	-	-	-	829.0000	-	-	-	829.0000
D0046166 ENE: Wrap-up - Consolidating TPs under Vote 2905 EPM	-	-	-	-	-	1,030.0000	-	-	-	1,030.0000
D0046380 ENE: 8% Rebate for Electricity Consumers Forecast Update	-	-	-	-	-	(122.0000)	-	-	-	(122.0000)
2905-01 Electricity Price Mitigation Programs	-	-	-	-	-	1,737.0000	-	-	-	1,737.0000
2905-02 Northern Ontario Energy Credit										
D0034770 Base - Operating Expense - \$	-	-	-	-	-	26.0000	-	-	-	26.0000

**Expenditure Monitoring
Ministry of Energy
Operating Expense
Budget 2019-20**
(\$ Millions)

Attachment 3

Workflow: Approved
Phase: Fiscal Based Outlook
View: Final
Detail

	Salaries and wages	Employee benefits	Transportation and communication	Services	Supplies and equipment	Transfer payments	Other transactions	Recoveries	Unspecified	Operating Expense
D0046166 ENE: Wrap-up - Consolidating TPs under Vote 2905 EPM	-	-	-	-	-	(26.0000)	-	-	-	(26.0000)
2905-02 Northern Ontario Energy Credit	-	-	-	-	-	-	-	-	-	-
2905-03 Ontario Rebate for Electricity Consumers	-	-	-	-	-	1,004.0000	-	-	-	1,004.0000
D0039520 ENE: Electricity Price Mitigation	-	-	-	-	-	-	-	-	-	-
D0042468 ENE: Updated Forecast 8% Electricity Rebate	-	-	-	-	-	-	-	-	-	-
D0046166 ENE: Wrap-up - Consolidating TPs under Vote 2905 EPM	-	-	-	-	-	(1,004.0000)	-	-	-	(1,004.0000)
2905-03 Ontario Rebate for Electricity Consumers	-	-	-	-	-	-	-	-	-	-
2905-Electricity Price Mitigation	-	-	-	-	-	1,737.0000	-	-	-	1,737.0000
29UN-Account Type										
29UN-UO Unspecified Operating	-	-	-	-	-	-	15.0000	-	-	15.0000
D0039065 MENE: First Nations H1 Ownership	-	-	-	-	-	-	(15.0000)	-	-	(15.0000)
D0042460 ENE: Transfer Payment to First Nations	-	-	-	-	-	-	-	-	-	-
29UN-UO Unspecified Operating	-	-	-	-	-	-	-	-	-	-
29UN-Account Type	-	-	-	-	-	-	-	-	-	-
2959-Operating Savings Target										
2959-01 Operating Savings Target	-	-	-	-	-	-	-	(1.9306)	(0.0516)	(1.9822)
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	-	1.9306	-	1.9306
D0042979 ENE: Ministry Savings Target	-	-	-	-	-	-	-	-	0.0516	0.0516
D0042333 ENE: Adj to TPAM Savings Target	-	-	-	-	-	-	-	-	-	-
2959-01 Operating Savings Target	-	-	-	-	-	-	-	-	-	-
2959-Operating Savings Target	-	-	-	-	-	-	-	-	-	-
Energy Vote-Items	19.1789	2.3477	0.6977	17.6242	0.6562	1,742.2974	0.0010	(6.2034)	-	1,776.5997
Energy Consolidations										
29CO-Consolidations Adj. (Operating)										
29CO-01 Consolidation Adj. - Independent Electricity System Operator	-	-	-	-	-	-	193.9674	-	-	193.9674
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	-	-	-	-
D0042558 ENE: Consolidation Adjustment - IESO	8.9121	0.1520	(0.0011)	(0.3386)	(0.1521)	-	(0.1131)	-	-	8.4592
29CO-01 Consolidation Adj. - Independent Electricity System Operator	8.9121	0.1520	(0.0011)	(0.3386)	(0.1521)	-	193.8543	-	-	202.4266
29CO-02 Consolidation Adjustment - Ontario Energy Board	-	-	-	-	-	-	38.4641	-	-	38.4641
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	-	-	-	-
D0043775 ENE: Consolidation - OEB Amt no Rev offset	-	-	-	-	-	-	-	-	-	-

Expenditure Monitoring
Ministry of Energy
Operating Expense
Budget 2019-20
(\$ Millions)

Attachment 3

Workflow: Approved
Phase: Fiscal Based Outlook
View: Final
Detail

	Salaries and wages	Employee benefits	Transportation and communication	Services	Supplies and equipment	Transfer payments	Other transactions	Recoveries	Unspecified	Operating Expense
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	(0.0005)	0.0005	0.1920	6.0480	(0.0001)	-	-	-	-	6.2399
29CO-02 Consolidation Adjustment - Ontario Energy Board	(0.0005)	0.0005	0.1920	6.0480	(0.0001)	-	38.4641	-	-	44.7040
29CO-30 Operating expense adjustment Greenhouse Gas Reduction Account	-	-	-	-	-	-	1.8500	-	-	1.8500
D0046422 ENE: GGRA Adjustment: EV Overnight Charging Rebate Prog.	-	-	-	-	-	-	1.8500	-	-	1.8500
29CO-30 Operating expense adjustment Greenhouse Gas Reduction Account	-	-	-	-	-	-	1.8500	-	-	1.8500
29CO-Consolidations Adj. (Operating)	8.9116	0.1525	0.1909	5.7094	(0.1522)	-	234.1684	-	-	248.9806
Energy Consolidations	8.9116	0.1525	0.1909	5.7094	(0.1522)	-	234.1684	-	-	248.9806
Energy Consolidated	28.0905	2.5002	0.8886	23.3336	0.5040	1,742.2974	234.1694	(6.2034)	-	2,025.5803

**Expenditure Monitoring
Ministry of Energy
Operating Expense
Budget 2020-21**
(\$ Millions)

Attachment 3

Workflow: Approved
Phase: Fiscal Based Outlook
View: Final
Detail

	Salaries and wages	Employee benefits	Transportation and communication	Services	Supplies and equipment	Transfer payments	Other transactions	Recoveries	Unspecified	Operating Expense
Energy Vote-Items										
2901-Ministry Administration Program										
2901-01-OE Ministry Administration										
D0034770 Base - Operating Expense - \$	6.8007	0.8498	0.3127	11.1465	0.3436	-	-	(4.3534)	-	15.0999
D0039713 TBS: Bulk Media Buy Transfers Out-years	-	-	-	(0.0150)	-	-	-	-	-	(0.0150)
D0041166 MGCS: GSIC IT-Rationalization Transfers	-	-	-	(0.0097)	-	-	-	-	-	(0.0097)
D0046689 Breakdown: Prior Approvals	-	-	-	-	-	-	-	-	-	-
D0047362 ENERGY: Clearing N/A in PRRT Programs	-	-	-	-	-	-	-	-	-	-
2901-01-OE Ministry Administration	6.8007	0.8498	0.3127	11.1218	0.3436	-	-	(4.3534)	-	15.0752
2901-16 Statutory Appropriations										
D0034770 Base - Operating Expense - \$	0.0640	-	-	-	-	-	-	-	-	0.0640
2901-16 Statutory Appropriations	0.0640	-	-	-	-	-	-	-	-	0.0640
2901-Ministry Administration Program	6.8647	0.8498	0.3127	11.1218	0.3436	-	-	(4.3534)	-	15.1392
2902-Energy Development and Management										
2902-01 Policy and Programs										
D0034770 Base - Operating Expense - \$	12.3142	1.4979	0.3850	8.4830	0.3126	3.4474	-	-	-	26.4401
D0042470 ENE: 8% Rebate Admin - Perm 4 FTE and Funding	-	-	-	-	-	-	-	-	-	-
D0042979 ENE: Ministry Savings Target	-	-	-	(1.9306)	-	-	-	-	-	(1.9306)
D0042340 ENE: TPAM - Grants Ontario Funding Model Transfer	-	-	-	(0.0500)	-	-	-	-	-	(0.0500)
D0042201 ENE GGRA Request: EV Overnight Charging Rebate Program	-	-	-	-	-	2.5000	-	(2.5000)	-	-
2902-01 Policy and Programs	12.3142	1.4979	0.3850	6.5024	0.3126	5.9474	-	(2.5000)	-	24.4595
2902-19 Statutory Appropriations										
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	0.0010	-	-	0.0010
2902-19 Statutory Appropriations	-	-	-	-	-	-	0.0010	-	-	0.0010
2902-Energy Development and Management	12.3142	1.4979	0.3850	6.5024	0.3126	5.9474	0.0010	(2.5000)	-	24.4605
2905-Electricity Price Mitigation										
2905-01 Electricity Price Mitigation Programs										
D0045900 ENE: Electricity Price Mitigation Programs	-	-	-	-	-	892.0000	-	-	-	892.0000
D0046166 ENE: Wrap-up - Consolidating TPs under Vote 2905 EPM	-	-	-	-	-	1,030.0000	-	-	-	1,030.0000
D0046380 ENE: 8% Rebate for Electricity Consumers Forecast Update	-	-	-	-	-	(109.0000)	-	-	-	(109.0000)
2905-01 Electricity Price Mitigation Programs	-	-	-	-	-	1,813.0000	-	-	-	1,813.0000
2905-02 Northern Ontario Energy Credit										
D0034770 Base - Operating Expense - \$	-	-	-	-	-	26.0000	-	-	-	26.0000

**Expenditure Monitoring
Ministry of Energy
Operating Expense
Budget 2020-21**
(\$ Millions)

Attachment 3

Workflow: Approved
Phase: Fiscal Based Outlook
View: Final
Detail

	Salaries and wages	Employee benefits	Transportation and communication	Services	Supplies and equipment	Transfer payments	Other transactions	Recoveries	Unspecified	Operating Expense
D0046166 ENE: Wrap-up - Consolidating TPs under Vote 2905 EPM	-	-	-	-	-	(26.0000)	-	-	-	(26.0000)
2905-02 Northern Ontario Energy Credit	-	-	-	-	-	-	-	-	-	-
2905-03 Ontario Rebate for Electricity Consumers	-	-	-	-	-	1,004.0000	-	-	-	1,004.0000
D0039520 ENE: Electricity Price Mitigation	-	-	-	-	-	-	-	-	-	-
D0042468 ENE: Updated Forecast 8% Electricity Rebate	-	-	-	-	-	-	-	-	-	-
D0046166 ENE: Wrap-up - Consolidating TPs under Vote 2905 EPM	-	-	-	-	-	(1,004.0000)	-	-	-	(1,004.0000)
2905-03 Ontario Rebate for Electricity Consumers	-	-	-	-	-	-	-	-	-	-
2905-Electricity Price Mitigation	-	-	-	-	-	1,813.0000	-	-	-	1,813.0000
2959-Operating Savings Target	-	-	-	-	-	-	-	-	-	-
2959-01 Operating Savings Target	-	-	-	-	-	-	-	(1.9306)	(0.0516)	(1.9822)
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	-	1.9306	-	1.9306
D0042979 ENE: Ministry Savings Target	-	-	-	-	-	-	-	-	0.0516	0.0516
D0042333 ENE: Adj to TPAM Savings Target	-	-	-	-	-	-	-	-	-	-
2959-01 Operating Savings Target	-	-	-	-	-	-	-	-	-	-
2959-Operating Savings Target	-	-	-	-	-	-	-	-	-	-
Energy Vote-Items	19.1789	2.3477	0.6977	17.6242	0.6562	1,818.9474	0.0010	(6.8534)	-	1,852.5997
Energy Consolidations										
29CO-Consolidations Adj. (Operating)										
29CO-01 Consolidation Adj. - Independent Electricity System Operator	-	-	-	-	-	-	193.9674	-	-	193.9674
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	-	-	-	-
D0042558 ENE: Consolidation Adjustment - IESO	8.9121	0.1520	(0.0011)	(0.3386)	(0.1521)	-	(0.1131)	-	-	8.4592
29CO-01 Consolidation Adj. - Independent Electricity System Operator	8.9121	0.1520	(0.0011)	(0.3386)	(0.1521)	-	193.8543	-	-	202.4266
29CO-02 Consolidation Adjustment - Ontario Energy Board	-	-	-	-	-	-	38.4640	-	-	38.4640
D0034770 Base - Operating Expense - \$	-	-	-	-	-	-	-	-	-	-
D0043775 ENE: Consolidation - OEB Amt no Rev offset	-	-	-	-	-	-	-	-	-	-
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	(0.0005)	0.0005	0.1920	6.0480	-	-	-	-	-	6.2400
29CO-02 Consolidation Adjustment - Ontario Energy Board	(0.0005)	0.0005	0.1920	6.0480	-	-	38.4640	-	-	44.7040
29CO-30 Operating expense adjustment Greenhouse Gas Reduction Account	-	-	-	-	-	-	2.5000	-	-	2.5000
D0046422 ENE: GGRA Adjustment: EV Overnight Charging Rebate Prog.	-	-	-	-	-	-	2.5000	-	-	2.5000
29CO-30 Operating expense adjustment Greenhouse Gas Reduction Account	-	-	-	-	-	-	-	-	-	-
29CO-Consolidations Adj. (Operating)	8.9116	0.1525	0.1909	5.7094	(0.1521)	-	234.8183	-	-	249.6306

Expenditure Monitoring
Ministry of Energy
Operating Expense
Budget 2020-21
(\$ Millions)

Attachment 3

Workflow: Approved
Phase: Fiscal Based Outlook
View: Final
Detail

	Salaries and wages	Employee benefits	Transportation and communication	Services	Supplies and equipment	Transfer payments	Other transactions	Recoveries	Unspecified	Operating Expense
Energy Consolidations	8.9116	0.1525	0.1909	5.7094	(0.1521)	-	234.8183	-	-	249.6306
Energy Consolidated	28.0905	2.5002	0.8886	23.3336	0.5041	1,818.9474	234.8193	(6.8534)	-	2,102.2303

Expenditure Monitoring
Ministry of Energy
Operating Assets
Budget 2017-18
(\$ Millions)

Attachment 4

Workflow: Approved
Phase: Fiscal Based Outlook
View: Final
Detail

	Loans and Investments	Operating Assets
Energy Vote-Items		
2905-Electricity Price Mitigation		
2905-05 Electricity Price Mitigation		
D0046840 ENE: Operating Asset - OPG Share Purchase	1,100.0000	1,100.0000
2905-05 Electricity Price Mitigation	1,100.0000	1,100.0000
2905-Electricity Price Mitigation	1,100.0000	1,100.0000
Energy Vote-Items	1,100.0000	1,100.0000
Energy Consolidated	1,100.0000	1,100.0000

**Expenditure Monitoring
Ministry of Energy
Capital Expense
Budget 2017-18**
(\$ Millions)

Attachment 5

	Other transactions	Capital Expense
Energy Vote-Items		
2902-Energy Development and Management		
2902-04 Energy Development & Mgmt-related to Capital Assets		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-04 Energy Development & Mgmt-related to Capital Assets	0.0010	0.0010
2902-18 Statutory Appropriations		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-18 Statutory Appropriations	0.0010	0.0010
2902-Energy Development and Management	0.0020	0.0020
Energy Vote-Items	0.0020	0.0020
Energy Consolidations		
29CC-Consolidations Adj. (Capital)		
29CC-01 Consolidation Adj. - Independent Electricity System Operator		
D0034772 Base - Capital Expense - \$	20.8321	20.8321
D0042558 ENE: Consolidation Adjustment - IESO	1.1818	1.1818
29CC-01 Consolidation Adj. - Independent Electricity System Operator	22.0139	22.0139
29CC-02 Consolidation Adjustment - Ontario Energy Board		
D0034772 Base - Capital Expense - \$	1.3841	1.3841
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	(0.1603)	(0.1603)
29CC-02 Consolidation Adjustment - Ontario Energy Board	1.2238	1.2238
29CC-Consolidations Adj. (Capital)	23.2377	23.2377
Energy Consolidations	23.2377	23.2377
Energy Consolidated	23.2397	23.2397

Expenditure Monitoring
Ministry of Energy
Capital Expense
Budget 2018-19
(\$ Millions)

	Other transactions	Capital Expense
Energy Vote-Items		
2902-Energy Development and Management		
2902-04 Energy Development & Mgmt-related to Capital Assets		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-04 Energy Development & Mgmt-related to Capital Assets	0.0010	0.0010
2902-18 Statutory Appropriations		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-18 Statutory Appropriations	0.0010	0.0010
2902-Energy Development and Management	0.0020	0.0020
Energy Vote-Items	0.0020	0.0020
Energy Consolidations		
29CC-Consolidations Adj. (Capital)		
29CC-01 Consolidation Adj. - Independent Electricity System Operator		
D0034772 Base - Capital Expense - \$	19.8511	19.8511
D0042558 ENE: Consolidation Adjustment - IESO	3.0724	3.0724
29CC-01 Consolidation Adj. - Independent Electricity System Operator	22.9235	22.9235
29CC-02 Consolidation Adjustment - Ontario Energy Board		
D0034772 Base - Capital Expense - \$	1.4819	1.4819
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	(0.1604)	(0.1604)
29CC-02 Consolidation Adjustment - Ontario Energy Board	1.3215	1.3215
29CC-Consolidations Adj. (Capital)	24.2450	24.2450
Energy Consolidations	24.2450	24.2450
Energy Consolidated	24.2470	24.2470

**Expenditure Monitoring
Ministry of Energy
Capital Expense
Budget 2019-20**
(\$ Millions)

	Other transactions	Capital Expense
Energy Vote-Items		
2902-Energy Development and Management		
2902-04 Energy Development & Mgmt-related to Capital Assets		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-04 Energy Development & Mgmt-related to Capital Assets	0.0010	0.0010
2902-18 Statutory Appropriations		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-18 Statutory Appropriations	0.0010	0.0010
2902-Energy Development and Management	0.0020	0.0020
Energy Vote-Items	0.0020	0.0020
Energy Consolidations		
29CC-Consolidations Adj. (Capital)		
29CC-01 Consolidation Adj. - Independent Electricity System Operator		
D0034772 Base - Capital Expense - \$	16.2511	16.2511
D0042558 ENE: Consolidation Adjustment - IESO	7.0757	7.0757
29CC-01 Consolidation Adj. - Independent Electricity System Operator	23.3268	23.3268
29CC-02 Consolidation Adjustment - Ontario Energy Board		
D0034772 Base - Capital Expense - \$	1.2860	1.2860
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	0.0001	0.0001
29CC-02 Consolidation Adjustment - Ontario Energy Board	1.2861	1.2861
29CC-Consolidations Adj. (Capital)	24.6129	24.6129
Energy Consolidations	24.6129	24.6129
Energy Consolidated	24.6149	24.6149

**Expenditure Monitoring
Ministry of Energy
Capital Expense
Budget 2020-21**
(\$ Millions)

	Other transactions	Capital Expense
Energy Vote-Items		
2902-Energy Development and Management		
2902-04 Energy Development & Mgmt-related to Capital Assets		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-04 Energy Development & Mgmt-related to Capital Assets	0.0010	0.0010
2902-18 Statutory Appropriations		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-18 Statutory Appropriations	0.0010	0.0010
2902-Energy Development and Management	0.0020	0.0020
Energy Vote-Items	0.0020	0.0020
Energy Consolidations		
29CC-Consolidations Adj. (Capital)		
29CC-01 Consolidation Adj. - Independent Electricity System Operator		
D0034772 Base - Capital Expense - \$	16.2511	16.2511
D0042558 ENE: Consolidation Adjustment - IESO	7.0757	7.0757
29CC-01 Consolidation Adj. - Independent Electricity System Operator	23.3268	23.3268
29CC-02 Consolidation Adjustment - Ontario Energy Board		
D0034772 Base - Capital Expense - \$	0.7092	0.7092
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	0.0533	0.0533
29CC-02 Consolidation Adjustment - Ontario Energy Board	0.7625	0.7625
29CC-Consolidations Adj. (Capital)	24.0893	24.0893
Energy Consolidations	24.0893	24.0893
Energy Consolidated	24.0913	24.0913

**Expenditure Monitoring
Ministry of Energy
Capital Expense
Budget 2021-22**
(\$ Millions)

	Other transactions	Capital Expense
Energy Vote-Items		
2902-Energy Development and Management		
2902-04 Energy Development & Mgmt-related to Capital Assets		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-04 Energy Development & Mgmt-related to Capital Assets	0.0010	0.0010
2902-18 Statutory Appropriations		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-18 Statutory Appropriations	0.0010	0.0010
2902-Energy Development and Management	0.0020	0.0020
Energy Vote-Items	0.0020	0.0020
Energy Consolidations		
29CC-Consolidations Adj. (Capital)		
29CC-01 Consolidation Adj. - Independent Electricity System Operator		
D0034772 Base - Capital Expense - \$	16.2511	16.2511
D0042558 ENE: Consolidation Adjustment - IESO	7.0757	7.0757
29CC-01 Consolidation Adj. - Independent Electricity System Operator	23.3268	23.3268
29CC-02 Consolidation Adjustment - Ontario Energy Board		
D0034772 Base - Capital Expense - \$	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	0.2375	0.2375
29CC-02 Consolidation Adjustment - Ontario Energy Board	0.7625	0.7625
29CC-Consolidations Adj. (Capital)	24.0893	24.0893
Energy Consolidations	24.0893	24.0893
Energy Consolidated	24.0913	24.0913

Expenditure Monitoring
Ministry of Energy
Capital Expense
Budget 2022-23
(\$ Millions)

	Other transactions	Capital Expense
Energy Vote-Items		
2902-Energy Development and Management		
2902-04 Energy Development & Mgmt-related to Capital Assets		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-04 Energy Development & Mgmt-related to Capital Assets	0.0010	0.0010
2902-18 Statutory Appropriations		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-18 Statutory Appropriations	0.0010	0.0010
2902-Energy Development and Management	0.0020	0.0020
Energy Vote-Items	0.0020	0.0020
Energy Consolidations		
29CC-Consolidations Adj. (Capital)		
29CC-01 Consolidation Adj. - Independent Electricity System Operator		
D0034772 Base - Capital Expense - \$	16.2511	16.2511
D0042558 ENE: Consolidation Adjustment - IESO	7.0757	7.0757
29CC-01 Consolidation Adj. - Independent Electricity System Operator	23.3268	23.3268
29CC-02 Consolidation Adjustment - Ontario Energy Board		
D0034772 Base - Capital Expense - \$	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	0.2375	0.2375
29CC-02 Consolidation Adjustment - Ontario Energy Board	0.7625	0.7625
29CC-Consolidations Adj. (Capital)	24.0893	24.0893
Energy Consolidations	24.0893	24.0893
Energy Consolidated	24.0913	24.0913

**Expenditure Monitoring
Ministry of Energy
Capital Expense
Budget 2023-24**
(\$ Millions)

	Other transactions	Capital Expense
Energy Vote-Items		
2902-Energy Development and Management		
2902-04 Energy Development & Mgmt-related to Capital Assets		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-04 Energy Development & Mgmt-related to Capital Assets	0.0010	0.0010
2902-18 Statutory Appropriations		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-18 Statutory Appropriations	0.0010	0.0010
2902-Energy Development and Management	0.0020	0.0020
Energy Vote-Items	0.0020	0.0020
Energy Consolidations		
29CC-Consolidations Adj. (Capital)		
29CC-01 Consolidation Adj. - Independent Electricity System Operator		
D0034772 Base - Capital Expense - \$	16.2511	16.2511
D0042558 ENE: Consolidation Adjustment - IESO	7.0757	7.0757
29CC-01 Consolidation Adj. - Independent Electricity System Operator	23.3268	23.3268
29CC-02 Consolidation Adjustment - Ontario Energy Board		
D0034772 Base - Capital Expense - \$	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	0.2375	0.2375
29CC-02 Consolidation Adjustment - Ontario Energy Board	0.7625	0.7625
29CC-Consolidations Adj. (Capital)	24.0893	24.0893
Energy Consolidations	24.0893	24.0893
Energy Consolidated	24.0913	24.0913

**Expenditure Monitoring
Ministry of Energy
Capital Expense
Budget 2024-25**
(\$ Millions)

	Other transactions	Capital Expense
Energy Vote-Items		
2902-Energy Development and Management		
2902-04 Energy Development & Mgmt-related to Capital Assets		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-04 Energy Development & Mgmt-related to Capital Assets	0.0010	0.0010
2902-18 Statutory Appropriations		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-18 Statutory Appropriations	0.0010	0.0010
2902-Energy Development and Management	0.0020	0.0020
Energy Vote-Items	0.0020	0.0020
Energy Consolidations		
29CC-Consolidations Adj. (Capital)		
29CC-01 Consolidation Adj. - Independent Electricity System Operator		
D0034772 Base - Capital Expense - \$	16.2511	16.2511
D0042558 ENE: Consolidation Adjustment - IESO	7.0757	7.0757
29CC-01 Consolidation Adj. - Independent Electricity System Operator	23.3268	23.3268
29CC-02 Consolidation Adjustment - Ontario Energy Board		
D0034772 Base - Capital Expense - \$	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	0.2375	0.2375
29CC-02 Consolidation Adjustment - Ontario Energy Board	0.7625	0.7625
29CC-Consolidations Adj. (Capital)	24.0893	24.0893
Energy Consolidations	24.0893	24.0893
Energy Consolidated	24.0913	24.0913

**Expenditure Monitoring
Ministry of Energy
Capital Expense
Budget 2025-26**
(\$ Millions)

	Other transactions	Capital Expense
Energy Vote-Items		
2902-Energy Development and Management		
2902-04 Energy Development & Mgmt-related to Capital Assets		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-04 Energy Development & Mgmt-related to Capital Assets	0.0010	0.0010
2902-18 Statutory Appropriations		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-18 Statutory Appropriations	0.0010	0.0010
2902-Energy Development and Management	0.0020	0.0020
Energy Vote-Items	0.0020	0.0020
Energy Consolidations		
29CC-Consolidations Adj. (Capital)		
29CC-01 Consolidation Adj. - Independent Electricity System Operator		
D0034772 Base - Capital Expense - \$	16.2511	16.2511
D0042558 ENE: Consolidation Adjustment - IESO	7.0757	7.0757
29CC-01 Consolidation Adj. - Independent Electricity System Operator	23.3268	23.3268
29CC-02 Consolidation Adjustment - Ontario Energy Board		
D0034772 Base - Capital Expense - \$	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	0.2375	0.2375
29CC-02 Consolidation Adjustment - Ontario Energy Board	0.7625	0.7625
29CC-Consolidations Adj. (Capital)	24.0893	24.0893
Energy Consolidations	24.0893	24.0893
Energy Consolidated	24.0913	24.0913

Expenditure Monitoring
Ministry of Energy
Capital Expense
Budget 2026-27
(\$ Millions)

	Other transactions	Capital Expense
Energy Vote-Items		
2902-Energy Development and Management		
2902-04 Energy Development & Mgmt-related to Capital Assets		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-04 Energy Development & Mgmt-related to Capital Assets	0.0010	0.0010
2902-18 Statutory Appropriations		
D0034772 Base - Capital Expense - \$	0.0010	0.0010
2902-18 Statutory Appropriations	0.0010	0.0010
2902-Energy Development and Management	0.0020	0.0020
Energy Vote-Items	0.0020	0.0020
Energy Consolidations		
29CC-Consolidations Adj. (Capital)		
29CC-01 Consolidation Adj. - Independent Electricity System Operator		
D0034772 Base - Capital Expense - \$	16.2511	16.2511
D0042558 ENE: Consolidation Adjustment - IESO	7.0757	7.0757
29CC-01 Consolidation Adj. - Independent Electricity System Operator	23.3268	23.3268
29CC-02 Consolidation Adjustment - Ontario Energy Board		
D0034772 Base - Capital Expense - \$	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	0.2375	0.2375
29CC-02 Consolidation Adjustment - Ontario Energy Board	0.7625	0.7625
29CC-Consolidations Adj. (Capital)	24.0893	24.0893
Energy Consolidations	24.0893	24.0893
Energy Consolidated	24.0913	24.0913

Expenditure Monitoring
Ministry of Energy
Capital Assets
Budget 2017-18
(\$ Millions)

	Land and marine fleet - asset costs	Other - Consolidation	Capital Assets
Energy Vote-Items			
2902-Energy Development and Management			
2902-05 Energy Development and Management			
D0034773 Base - Capital Assets - \$	0.0010	-	0.0010
2902-05 Energy Development and Management	0.0010	-	0.0010
2902-Energy Development and Management	0.0010	-	0.0010
Energy Vote-Items	0.0010	-	0.0010
Energy Consolidations			
29CA-Consolidations Adj. (Capital Asset)			
29CA-01 Consolidation Asset - Independent Electricity System Operator			
D0034773 Base - Capital Assets - \$	-	23.1000	23.1000
D0042558 ENE: Consolidation Adjustment - IESO	-	3.7225	3.7225
29CA-01 Consolidation Asset - Independent Electricity System Operator	-	26.8225	26.8225
29CA-02 Consolidation Asset - Ontario Energy Board			
D0034773 Base - Capital Assets - \$	-	0.9750	0.9750
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	-	(0.2620)	(0.2620)
29CA-02 Consolidation Asset - Ontario Energy Board	-	0.7130	0.7130
29CA-Consolidations Adj. (Capital Asset)	-	27.5355	27.5355
Energy Consolidations	-	27.5355	27.5355
Energy Consolidated	0.0010	27.5355	27.5365

Expenditure Monitoring
Ministry of Energy
Capital Assets
Budget 2018-19
(\$ Millions)

	Land and marine fleet - asset costs	Other - Consolidation	Capital Assets
Energy Vote-Items			
2902-Energy Development and Management			
2902-05 Energy Development and Management			
D0034773 Base - Capital Assets - \$	0.0010	-	0.0010
2902-05 Energy Development and Management	0.0010	-	0.0010
2902-Energy Development and Management	0.0010	-	0.0010
Energy Vote-Items	0.0010	-	0.0010
Energy Consolidations			
29CA-Consolidations Adj. (Capital Asset)			
29CA-01 Consolidation Asset - Independent Electricity System Operator			
D0034773 Base - Capital Assets - \$	-	23.1000	23.1000
D0042558 ENE: Consolidation Adjustment - IESO	-	(0.1000)	(0.1000)
29CA-01 Consolidation Asset - Independent Electricity System Operator	-	23.0000	23.0000
29CA-02 Consolidation Asset - Ontario Energy Board			
D0034773 Base - Capital Assets - \$	-	0.6850	0.6850
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	-	(0.2620)	(0.2620)
29CA-02 Consolidation Asset - Ontario Energy Board	-	0.4230	0.4230
29CA-Consolidations Adj. (Capital Asset)	-	23.4230	23.4230
Energy Consolidations	-	23.4230	23.4230
Energy Consolidated	0.0010	23.4230	23.4240

Expenditure Monitoring
Ministry of Energy
Capital Assets
Budget 2019-20
(\$ Millions)

	Land and marine fleet - asset costs	Other - Consolidation	Capital Assets
Energy Vote-Items			
2902-Energy Development and Management			
2902-05 Energy Development and Management			
D0034773 Base - Capital Assets - \$	0.0010	-	0.0010
2902-05 Energy Development and Management	0.0010	-	0.0010
2902-Energy Development and Management	0.0010	-	0.0010
Energy Vote-Items	0.0010	-	0.0010
Energy Consolidations			
29CA-Consolidations Adj. (Capital Asset)			
29CA-01 Consolidation Asset - Independent Electricity System Operator			
D0034773 Base - Capital Assets - \$	-	23.1000	23.1000
D0042558 ENE: Consolidation Adjustment - IESO	-	(0.1000)	(0.1000)
29CA-01 Consolidation Asset - Independent Electricity System Operator	-	23.0000	23.0000
29CA-02 Consolidation Asset - Ontario Energy Board			
D0034773 Base - Capital Assets - \$	-	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	-	(0.1020)	(0.1020)
29CA-02 Consolidation Asset - Ontario Energy Board	-	0.4230	0.4230
29CA-Consolidations Adj. (Capital Asset)	-	23.4230	23.4230
Energy Consolidations	-	23.4230	23.4230
Energy Consolidated	0.0010	23.4230	23.4240

Expenditure Monitoring
Ministry of Energy
Capital Assets
Budget 2020-21
(\$ Millions)

Attachment 6

	Land and marine fleet - asset costs	Other - Consolidation	Capital Assets
Energy Vote-Items			
2902-Energy Development and Management			
2902-05 Energy Development and Management			
D0034773 Base - Capital Assets - \$	0.0010	-	0.0010
2902-05 Energy Development and Management	0.0010	-	0.0010
2902-Energy Development and Management	0.0010	-	0.0010
Energy Vote-Items	0.0010	-	0.0010
Energy Consolidations			
29CA-Consolidations Adj. (Capital Asset)			
29CA-01 Consolidation Asset - Independent Electricity System Operator			
D0034773 Base - Capital Assets - \$	-	23.1000	23.1000
D0042558 ENE: Consolidation Adjustment - IESO	-	(0.1000)	(0.1000)
29CA-01 Consolidation Asset - Independent Electricity System Operator	-	23.0000	23.0000
29CA-02 Consolidation Asset - Ontario Energy Board			
D0034773 Base - Capital Assets - \$	-	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	-	(0.1020)	(0.1020)
29CA-02 Consolidation Asset - Ontario Energy Board	-	0.4230	0.4230
29CA-Consolidations Adj. (Capital Asset)	-	23.4230	23.4230
Energy Consolidations	-	23.4230	23.4230
Energy Consolidated	0.0010	23.4230	23.4240

Expenditure Monitoring
Ministry of Energy
Capital Assets
Budget 2021-22
(\$ Millions)

	Land and marine fleet - asset costs	Other - Consolidation	Capital Assets
Energy Vote-Items			
2902-Energy Development and Management			
2902-05 Energy Development and Management			
D0034773 Base - Capital Assets - \$	0.0010	-	0.0010
2902-05 Energy Development and Management	0.0010	-	0.0010
2902-Energy Development and Management	0.0010	-	0.0010
Energy Vote-Items	0.0010	-	0.0010
Energy Consolidations			
29CA-Consolidations Adj. (Capital Asset)			
29CA-01 Consolidation Asset - Independent Electricity System Operator			
D0034773 Base - Capital Assets - \$	-	23.1000	23.1000
D0042558 ENE: Consolidation Adjustment - IESO	-	(0.1000)	(0.1000)
29CA-01 Consolidation Asset - Independent Electricity System Operator	-	23.0000	23.0000
29CA-02 Consolidation Asset - Ontario Energy Board			
D0034773 Base - Capital Assets - \$	-	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	-	(0.1020)	(0.1020)
29CA-02 Consolidation Asset - Ontario Energy Board	-	0.4230	0.4230
29CA-Consolidations Adj. (Capital Asset)	-	23.4230	23.4230
Energy Consolidations	-	23.4230	23.4230
Energy Consolidated	0.0010	23.4230	23.4240

Expenditure Monitoring
Ministry of Energy
Capital Assets
Budget 2022-23
(\$ Millions)

	Land and marine fleet - asset costs	Other - Consolidation	Capital Assets
Energy Vote-Items			
2902-Energy Development and Management			
2902-05 Energy Development and Management			
D0034773 Base - Capital Assets - \$	0.0010	-	0.0010
2902-05 Energy Development and Management	0.0010	-	0.0010
2902-Energy Development and Management	0.0010	-	0.0010
Energy Vote-Items	0.0010	-	0.0010
Energy Consolidations			
29CA-Consolidations Adj. (Capital Asset)			
29CA-01 Consolidation Asset - Independent Electricity System Operator			
D0034773 Base - Capital Assets - \$	-	23.1000	23.1000
D0042558 ENE: Consolidation Adjustment - IESO	-	(0.1000)	(0.1000)
29CA-01 Consolidation Asset - Independent Electricity System Operator	-	23.0000	23.0000
29CA-02 Consolidation Asset - Ontario Energy Board			
D0034773 Base - Capital Assets - \$	-	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	-	(0.1020)	(0.1020)
29CA-02 Consolidation Asset - Ontario Energy Board	-	0.4230	0.4230
29CA-Consolidations Adj. (Capital Asset)	-	23.4230	23.4230
Energy Consolidations	-	23.4230	23.4230
Energy Consolidated	0.0010	23.4230	23.4240

Expenditure Monitoring
Ministry of Energy
Capital Assets
Budget 2023-24
(\$ Millions)

	Land and marine fleet - asset costs	Other - Consolidation	Capital Assets
Energy Vote-Items			
2902-Energy Development and Management			
2902-05 Energy Development and Management			
D0034773 Base - Capital Assets - \$	0.0010	-	0.0010
2902-05 Energy Development and Management	0.0010	-	0.0010
2902-Energy Development and Management	0.0010	-	0.0010
Energy Vote-Items	0.0010	-	0.0010
Energy Consolidations			
29CA-Consolidations Adj. (Capital Asset)			
29CA-01 Consolidation Asset - Independent Electricity System Operator			
D0034773 Base - Capital Assets - \$	-	23.1000	23.1000
D0042558 ENE: Consolidation Adjustment - IESO	-	(0.1000)	(0.1000)
29CA-01 Consolidation Asset - Independent Electricity System Operator	-	23.0000	23.0000
29CA-02 Consolidation Asset - Ontario Energy Board			
D0034773 Base - Capital Assets - \$	-	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	-	(0.1020)	(0.1020)
29CA-02 Consolidation Asset - Ontario Energy Board	-	0.4230	0.4230
29CA-Consolidations Adj. (Capital Asset)	-	23.4230	23.4230
Energy Consolidations	-	23.4230	23.4230
Energy Consolidated	0.0010	23.4230	23.4240

Expenditure Monitoring
Ministry of Energy
Capital Assets
Budget 2024-25
(\$ Millions)

	Land and marine fleet - asset costs	Other - Consolidation	Capital Assets
Energy Vote-Items			
2902-Energy Development and Management			
2902-05 Energy Development and Management			
D0034773 Base - Capital Assets - \$	0.0010	-	0.0010
2902-05 Energy Development and Management	0.0010	-	0.0010
2902-Energy Development and Management	0.0010	-	0.0010
Energy Vote-Items	0.0010	-	0.0010
Energy Consolidations			
29CA-Consolidations Adj. (Capital Asset)			
29CA-01 Consolidation Asset - Independent Electricity System Operator			
D0034773 Base - Capital Assets - \$	-	23.1000	23.1000
D0042558 ENE: Consolidation Adjustment - IESO	-	(0.1000)	(0.1000)
29CA-01 Consolidation Asset - Independent Electricity System Operator	-	23.0000	23.0000
29CA-02 Consolidation Asset - Ontario Energy Board			
D0034773 Base - Capital Assets - \$	-	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	-	(0.1020)	(0.1020)
29CA-02 Consolidation Asset - Ontario Energy Board	-	0.4230	0.4230
29CA-Consolidations Adj. (Capital Asset)	-	23.4230	23.4230
Energy Consolidations	-	23.4230	23.4230
Energy Consolidated	0.0010	23.4230	23.4240

Expenditure Monitoring
Ministry of Energy
Capital Assets
Budget 2025-26
(\$ Millions)

	Land and marine fleet - asset costs	Other - Consolidation	Capital Assets
Energy Vote-Items			
2902-Energy Development and Management			
2902-05 Energy Development and Management			
D0034773 Base - Capital Assets - \$	0.0010	-	0.0010
2902-05 Energy Development and Management	0.0010	-	0.0010
2902-Energy Development and Management	0.0010	-	0.0010
Energy Vote-Items	0.0010	-	0.0010
Energy Consolidations			
29CA-Consolidations Adj. (Capital Asset)			
29CA-01 Consolidation Asset - Independent Electricity System Operator			
D0034773 Base - Capital Assets - \$	-	23.1000	23.1000
D0042558 ENE: Consolidation Adjustment - IESO	-	(0.1000)	(0.1000)
29CA-01 Consolidation Asset - Independent Electricity System Operator	-	23.0000	23.0000
29CA-02 Consolidation Asset - Ontario Energy Board			
D0034773 Base - Capital Assets - \$	-	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	-	(0.1020)	(0.1020)
29CA-02 Consolidation Asset - Ontario Energy Board	-	0.4230	0.4230
29CA-Consolidations Adj. (Capital Asset)	-	23.4230	23.4230
Energy Consolidations	-	23.4230	23.4230
Energy Consolidated	0.0010	23.4230	23.4240

Expenditure Monitoring
Ministry of Energy
Capital Assets
Budget 2026-27
(\$ Millions)

	Land and marine fleet - asset costs	Other - Consolidation	Capital Assets
Energy Vote-Items			
2902-Energy Development and Management			
2902-05 Energy Development and Management			
D0034773 Base - Capital Assets - \$	0.0010	-	0.0010
2902-05 Energy Development and Management	0.0010	-	0.0010
2902-Energy Development and Management	0.0010	-	0.0010
Energy Vote-Items	0.0010	-	0.0010
Energy Consolidations			
29CA-Consolidations Adj. (Capital Asset)			
29CA-01 Consolidation Asset - Independent Electricity System Operator			
D0034773 Base - Capital Assets - \$	-	23.1000	23.1000
D0042558 ENE: Consolidation Adjustment - IESO	-	(0.1000)	(0.1000)
29CA-01 Consolidation Asset - Independent Electricity System Operator	-	23.0000	23.0000
29CA-02 Consolidation Asset - Ontario Energy Board			
D0034773 Base - Capital Assets - \$	-	0.5250	0.5250
D0042543 ENE: Consolidation Adjustment - Ontario Energy Board	-	(0.1020)	(0.1020)
29CA-02 Consolidation Asset - Ontario Energy Board	-	0.4230	0.4230
29CA-Consolidations Adj. (Capital Asset)	-	23.4230	23.4230
Energy Consolidations	-	23.4230	23.4230
Energy Consolidated	0.0010	23.4230	23.4240

Transfer Payment Summary
Energy

Attachment 7

2017-18 Program Review, Renewal and Transformation

(\$ Millions)

Description	2017-18	2018-19	2019-20	2020-21
Operating Expense				
2902-01 - Policy and Programs				
Green Energy Initiatives	1.3474	1.3474	1.3474	1.3474
Aboriginal Engagement Agreements	0.2000	0.2000	0.2000	0.2000
Conservation Initiatives	1.9000	1.9000	1.9000	1.9000
Electric Vehicle Overnight Charging Rebate Program	2.1500	2.1800	1.8500	2.5000
2905-01 - Electricity Price Mitigation Programs				
On-Reserve First Nations Delivery Credit	15.0000	20.0000	20.0000	20.0000
Ontario Electricity Support Program	140.0000	261.0000	325.0000	375.0000
Rural or Remote Rate Protection Program	344.0000	472.0000	484.0000	497.0000
Northern Ontario Energy Credit	26.0000	26.0000	26.0000	26.0000
Ontario Rebate for Electricity Consumers	939.0000	882.0000	882.0000	895.0000
2905-02 - Northern Ontario Energy Credit				
Northern Ontario Energy Credit	0.0000	0.0000	0.0000	0.0000
2905-03 - Ontario Rebate for Electricity Consumers				
Ontario Rebate for Electricity Consumers	0.0000	0.0000	0.0000	0.0000
2906-01 - Strategic Asset Management and Transformation				
Cash Contribution for First Nations	45.0000	0.0000	0.0000	0.0000
Conferred Benefit Amount	135.0000	0.0000	0.0000	0.0000
Strategic Asset Management Indigenous Engagement	0.0010	0.0000	0.0000	0.0000
Total: Operating Expense Transfer Payment	1,649.5984	1,666.6274	1,742.2974	1,818.9474
Total: Ministry Transfer Payment	1,649.5984	1,666.6274	1,742.2974	1,818.9474

**Revenue Summary Report
Energy**

Attachment 9

**2017-18 Program Review, Renewal and Transformation
Federal Transfers, Income from Business Enterprises, Other Revenue**

(\$ Millions)

Account Code	Description	2017-18	2018-19	2019-20	2020-21
Income from Business Enterprises					
HYDRO ONE					
HYDRO ONE INCORPORATED					
418510	Hydro One Inc.	519.7247	561.5825	603.3440	651.7919
TOTAL HYDRO ONE		519.7247	561.5825	603.3440	651.7919
ONTARIO POWER GENERATION					
ONTARIO POWER GENERATION INCORPORATED					
418610	Ontario Power Generation Inc.	97.1767	732.3678	625.3975	1,065.5175
TOTAL ONTARIO POWER GENERATION		97.1767	732.3678	625.3975	1,065.5175
TOTAL INCOME FROM BUSINESS ENTERPRISES		616.9014	1,293.9503	1,228.7415	1,717.3094
Other Revenue					
REVENUE CONSOLIDATION - INDEPENDENT ELECTRICITY SYSTEM OPERATOR					
OTHER FEES AND LICENCES					
422305	Consolidations - Other Fees and Licenses	220.3991	225.0368	227.9126	227.9126
TOTAL REVENUE CONSOLIDATION - INDEPENDENT ELECTRICITY SYSTEM OPERATOR		220.3991	225.0368	227.9126	227.9126
REVENUE CONSOLIDATION - ONTARIO ENERGY BOARD					
OTHER FEES AND LICENCES					

**Revenue Summary Report
Energy**

Attachment 9

**2017-18 Program Review, Renewal and Transformation
Federal Transfers, Income from Business Enterprises, Other Revenue**

(\$ Millions)

Account Code	Description	2017-18	2018-19	2019-20	2020-21
422305	Consolidations - Other Fees and Licenses	0.3725	0.3725	0.3725	0.3725
ROYALTIES					
435005	Consolidations - Royalties	0.0000	0.0000	0.0000	0.0000
MISCELLANEOUS					
455005	Consolidations - Fines and Penalties	0.0150	0.0150	0.0150	0.0150
475005	Consolidations - Miscellaneous Revenue	46.7538	47.0415	47.0061	46.4825
		46.7688	47.0565	47.0211	46.4975
	TOTAL REVENUE CONSOLIDATION - ONTARIO ENERGY BOARD	47.1413	47.4290	47.3936	46.8700
OTHER REVENUE					
SALES AND RENTALS					
454990	Sales/Rentals - Other	1,635.6324	6.5446	(215.0268)	(216.6131)
	TOTAL OTHER REVENUE	1,635.6324	6.5446	(215.0268)	(216.6131)
TOTAL OTHER REVENUE		1,903.1728	279.0104	60.2794	58.1695

Revenue Summary Report Energy

Attachment 10

2017-18 Program Review, Renewal and Transformation Federal Transfers, Income from Business Enterprises, Other Revenue

\$ millions

Description	2017-18	2018-19	2019-20	2020-21
Income from Business Enterprises				
HYDRO ONE				
HYDRO ONE INCORPORATED				
D0034771 - Base - Income from Business Enterprises - \$	612.4792	674.0394	712.8065	737.3583
D0039577 - Energy - OTHER NTR – FORECAST UPDATE	(92.7545)	(112.4569)	(109.4625)	(85.5664)
D0043481 - 2021-22 Base Adjustment - Revenues Min 29	0.0000	0.0000	0.0000	0.0000
	519.7247	561.5825	603.3440	651.7919
TOTAL HYDRO ONE	519.7247	561.5825	603.3440	651.7919
ONTARIO POWER GENERATION				
ONTARIO POWER GENERATION INCORPORATED				
D0034771 - Base - Income from Business Enterprises - \$	586.0000	673.0000	704.5000	733.5000
D0039577 - Energy - OTHER NTR – FORECAST UPDATE	(88.8233)	59.3678	120.8975	332.0175
D0043481 - 2021-22 Base Adjustment - Revenues Min 29	0.0000	0.0000	0.0000	0.0000
D0046880 - [MOE] OPG revenue adjustment to match OEP	(400.0000)	0.0000	(200.0000)	0.0000
	97.1767	732.3678	625.3975	1,065.5175
TOTAL ONTARIO POWER GENERATION	97.1767	732.3678	625.3975	1,065.5175
TOTAL INCOME FROM BUSINESS ENTERPRISES	616.9014	1,293.9503	1,228.7415	1,717.3094

Other Revenue

REVENUE CONSOLIDATION - INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Revenue Summary Report
Energy

Attachment 10

2017-18 Program Review, Renewal and Transformation
Federal Transfers, Income from Business Enterprises, Other Revenue

\$ millions				
Description	2017-18	2018-19	2019-20	2020-21
OTHER FEES AND LICENCES				
D0034768 - Base - Other Revenue - \$	217.9580	215.9235	212.3235	212.3235
D0043182 - ENERGY: [REV] Consolidation Adjustment - Indep	2.4411	9.1133	15.5891	15.5891
D0043481 - 2021-22 Base Adjustment - Revenues Min 29	0.0000	0.0000	0.0000	0.0000
	220.3991	225.0368	227.9126	227.9126
TOTAL REVENUE CONSOLIDATION - INDEPENDENT ELECTRICITY SYSTEM OPERATOR	220.3991	225.0368	227.9126	227.9126
REVENUE CONSOLIDATION - ONTARIO ENERGY BOARD				
OTHER FEES AND LICENCES				
D0034768 - Base - Other Revenue - \$	0.3725	0.3725	0.3725	0.3725
D0043481 - 2021-22 Base Adjustment - Revenues Min 29	0.0000	0.0000	0.0000	0.0000
	0.3725	0.3725	0.3725	0.3725
ROYALTIES				
D0034768 - Base - Other Revenue - \$	0.0150	0.0150	0.0150	0.0150
D0043183 - ENERGY: [REV] Consolidation Adjustment - Ontar	(0.0150)	(0.0150)	(0.0150)	(0.0150)
D0043481 - 2021-22 Base Adjustment - Revenues Min 29	0.0000	0.0000	0.0000	0.0000
	0.0000	0.0000	0.0000	0.0000
MISCELLANEOUS				
D0034768 - Base - Other Revenue - \$	41.4344	40.4133	40.2791	40.0429
D0043183 - ENERGY: [REV] Consolidation Adjustment - Ontar	5.3344	6.6432	6.7420	6.4546
D0043481 - 2021-22 Base Adjustment - Revenues Min 29	0.0000	0.0000	0.0000	0.0000

**Revenue Summary Report
Energy**

Attachment 10

**2017-18 Program Review, Renewal and Transformation
Federal Transfers, Income from Business Enterprises, Other Revenue**

\$ millions				
Description	2017-18	2018-19	2019-20	2020-21
	46.7688	47.0565	47.0211	46.4975
<i>TOTAL REVENUE CONSOLIDATION - ONTARIO ENERGY BOARD</i>	<i>17.143</i>	<i>.752) 0</i>	<i>.75) 64</i>	<i>.45700</i>
OTHER REVENUE				
SALES AND RENTALS				
D0046293 - ENE: Asset Optimization Revenue	1,644.1250	6.5446	(215.0268)	(216.6131)
D0046883 - ENE: Asset Optimization Revenue - Adjustment to	(8.4926)	0.0000	0.0000	0.0000
	1,635.6324	6.5446	(215.0268)	(216.6131)
<i>TOTAL OTHER REVENUE</i>	<i>1,460.62</i>	<i>40.4</i>	<i>215.0268M</i>	<i>216.6131M</i>
TOTAL OTHER REVENUE	1,065.728	27.510.	4057) .	D6514) D

FTE Impact Summary
2017-18 Program Review, Renewal and Transformation
Ministry of Energy

Attachment number 11

Description	2017-18	2018-19	2019-20	2020-21
Preliminary FTE Caps and In Year Approvals				
Preliminary FTE Caps	209.6100	209.6100	204.6100	204.6100
FTE CAPS	209.6100	209.6100	204.6100	204.6100
Other Decisions				
D0041897 - [R 2017] ENERGY to MGCS Transfer of 2 FTEs for the EWRB Project	(2.0000)	0.0000	0.0000	0.0000
D0042470 - ENE: 8% Rebate for Electricity Consumers - Perm 4 FTE and Funding Request	0.0000	0.0000	0.0000	0.0000
D0042590 - [R 2017] ENERGY to MAG Temporary Transfer of 1 FTE for Legal Services Support	(1.0000)	0.0000	0.0000	0.0000
D0045001 - MOF: Transfer of I & G Secretariat from Energy	(5.0000)	(5.0000)	0.0000	0.0000
Inter-ministry transfer from Energy to MOF to support the Investment and Governance Secretariat				
TOTAL	(8.0000)	(5.0000)	0.0000	0.0000
TOTAL PRRT Impact	(8.0000)	(5.0000)	0.0000	0.0000
Revised Multi-Year FTE Caps	201.6100	204.6100	204.6100	204.6100

Report backs
Energy

Attachment 12

2017-18 Program Review, Renewal and Transformation

Description	Reportback Due Date
Ministry Program	
D0046327 - ENE: Reportback Prior to Accruals within 2905-1 Direct the Ministry to seek TB/MBC approval prior to establishing any year-end accruals related to the various electricity price mitigation initiatives under Vote/Item 2905-1.	2018-03-30
D0046567 - ENE: Electricity Price Mitigation Report Backs for 2017-18 Bringing forward various report back requirements related to electricity price mitigation and the shift to government funded support programs.	2017-07-28
D0047327 - ENERGY: RB KPIs/Performance Measures The Board directed the Ministry to report back to Treasury Board/Management Board of Cabinet with updated results for these Key Performance Indicators as part of the 2018-19 PRRT process. The Board directed the Ministry to work with the Centre of Excellence for Evidence-Based Decision Making to refine and finalize the Ministry's performance measurement system, and report back to Treasury Board/Management Board of Cabinet as part of the 2018-19 PRRT process.	2017-11-24
D0047382 - ENE: [RB] First Nations H1 Ownership Directed the Ministry to report back to Treasury Board upon close of the transaction with participation levels, actual payments, and non-cash expenses.	2017-11-24
Budget Initiative	
D0047380 - ENE: [RB] GGRA See various requirements under GGRA, within Long-Term Energy Plan Program Initiatives.	2017-11-24
D0047381 - ENE: [RB] Transformation Initiatives See various requirements under Transformation Initiatives section.	2017-11-24

**Holdbacks
Energy**

Attachment 13

2017-18 Program Review, Renewal and Transformation

						(\$ Millions)
Description	Total Amount on Holdback	Holdback Date	Vote/Item	Standard Account	Sub-Account	Amount on Holdback
Operating Expense						
D0042201 - ENE GGRA Request: EV Overnight Charging Rebate Program	2.1500	2017-04-30	290201	Transfer payments	Electric Vehicle Overnight Charging Rebate Program	2.1500
Total: Operating Expense	2.1500					
Total: Expense	2.1500					

Holdbacks
Ministry Summary

2017-18 Program Review, Renewal and Transformation

		(\$M Accrual)
Ministry		Amount on Holdbacks
Energy		2.15
Total		2.15

Executive Controls

Attachment 14

Energy

2017-18 Program Review, Renewal and Transformation

(\$ Millions)

Description	Total Executive Control Amount	Vote/Item	Standard Account	Sub-Account	Amount
Operating Expense					
D0042201 - ENE GGRA Request: EV Overnight Charging Rebate Program	2.1500	290201	Transfer payments	Electric Vehicle Overnight Charging Rebate Program	2.1500
D0046326 - ENE: Wrap-up Executive Control V/I 2905-1 EPM	1,464.0000	290501	Transfer payments	On-Reserve First Nations Delivery Credit	15.0000
				Ontario Electricity Support Program	140.0000
				Rural or Remote Rate Protection Program	344.0000
				Northern Ontario Energy Credit	26.0000
				Ontario Rebate for Electricity Consumers	939.0000
Total: Operating Expense	1,466.1500				
Total: Expense	1,466.1500				

**Executive Controls
Ministry Summary**

2017-18 Program Review, Renewal and Transformation

		(\$M Accrual)
Ministry		Amount
Energy		1,466.1500
Total		1,466.1500

Capital Vote Item Standard Account Activity (VISA)

Appendix 15

Ministry of Energy

	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
Energy Policy Development and Implementation										
2902 Energy Development and Management										
CAPITAL EXPENSE										
4 Energy Development and Management – Expense related to Capital Assets	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Other transactions	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Capital Expense	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
18 Statutory Appropriations	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Other transactions	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Statutory Appropriation - Amortization	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
CAPITAL ASSET										
5 Energy Development and Management	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Land and marine fleet - asset costs	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Capital Assets	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010

N/A

Capital Vote Item Standard Account Activity (VISA)

Appendix 15

Consolidation and Other Adjustments

	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
IESO (Indep. Elec. System Operator)	22.0139	22.9235	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268
OEB (Ontario Energy Board)	1.2238	1.3215	1.2861	0.7625	0.7625	0.7625	0.7625	0.7625	0.7625	0.7625
	23.2377	24.2450	24.6129	24.0893	24.0893	24.0893	24.0893	24.0893	24.0893	24.0893

Capital Vote Item Standard Account Activity (VISA)

Appendix 15

Ministry of Energy

Energy Summary

	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
Net Capital Expense	23.2397	24.2470	24.6149	24.0913	24.0913	24.0913	24.0913	24.0913	24.0913	24.0913
Voted Capital Expense	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Statutory Appropriation	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Consolidation and Other Adjustments	23.2377	24.2450	24.6129	24.0893	24.0893	24.0893	24.0893	24.0893	24.0893	24.0893
Consolidated Amortization	23.2377	24.2450	24.6129	24.0893	24.0893	24.0893	24.0893	24.0893	24.0893	24.0893
Capital Asset	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Consolidated Acquisitions	27.5355	23.4230	23.4230	23.4230	23.4230	23.4230	23.4230	23.4230	23.4230	23.4230
Capital Through Operating	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Other Partner	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Gross Infrastructure	27.5375	23.4250	23.4250	23.4250	23.4250	23.4250	23.4250	23.4250	23.4250	23.4250

5 PRRT 2018-19 ENERGY Assessment All Combined Except Dashboard.pdf

I. Executive Summary



The Ministry has submitted a plan within allocation after factoring in fiscally neutral items.

To manage pressures, the Ministry is seeking TB/MBC approval to offset costs for new Long Term Energy Plan (LTEP) related programs, and resources (\$,FTEs) for administering Fair Hydro Plan transfer payments programs, from savings due to an updated forecast of Fair Hydro Plan transfer payments over the planning period. The transfer payments are under executive controls.



With the passage of the Ontario Fair Hydro Act, 2017, the Ministry is now administering \$1.6B in transfer payments in 2017-18 (80% of allocation) and on-going.



Ontario's Fair Hydro Act, 2017 entitles recipients to funding. The Ministry indicates actual fiscal costs are dependent on external factors (e.g. electricity prices, consumption, weather and general economic and demographic factors of consumers). As with other demand-driven government programs, such as forest fire fighting, and business risk management, there is a decision for government regarding managing risk centrally through the Treasury Board Contingency Fund, or through the Ministry's funding allocation.

The Ministry is currently managing with 19 risk-managed FTEs, and indicates that this short-term strategy is not sustainable.



Key risks include:

- Negotiations with Métis Nation of Ontario on Hydro One ownership are on-going. The Ministry may require up to \$35M in either 2017-18 or 2018-19 depending on the terms and timing of an agreement.
- Fair Hydro Plan – The Ministry indicates Hydro One has made an application to the OEB for rates for 2018 to 2021, which if approved, could increase Ontario's programs costs by \$65M per year by fiscal 2020-21.
- Affordability fund \$200M multi-year commitment – Only \$100M approved and provided to date. October 24, 2017 Ontario launched the \$100M program. As of October 31, 2017 only \$0.4M spent. The Fund has now started to accept funding applications from electricity distributors.
 - o The Ministry will provide regular updates through quarterly reporting, including spending to date, results to date starting Q4 2017-18.



The ministry expanded its program inventory from seven to 10 external PRRT programs reflecting over-arching lines of key ministry business related to energy development and management, electricity price mitigation, and energy use and climate change. The realignment and refinement of the program inventory incorporates the ministry's expanded mandate related to Ontario's Fair Hydro Plan and other high-priority policy commitments.

The ministry provided updated results for KPIs approved through the 2017-18 PRRT suggesting that:

- CO2 emissions from Ontario's electricity sector decreased
- Ontarians are conserving electricity.

The remaining KPIs will monitor progress on more recent strategic initiatives to minimize the annual growth of electricity costs to Ontarians, support innovation in the energy sector, and improve asset management (i.e., net income from Hydro One and OPG).

Taken together, the entirety of the ministry's performance measurement system demonstrates

Treasury Board/Management Board of Cabinet Assessment Note

strong potential to track progress toward ministry high priorities including a continued and concentrated focus on the energy consumer, providing an affordable supply of energy, ensuring fairness and consumer choice, opportunities for innovation, as well as ensuring the sound development of the Province's strategic energy framework through the Long-Term Energy Plan.

Treasury Board/Management Board of Cabinet Assessment Note

II. Financial Summary

The Ministry submitted a plan that is within its preliminary allocation after accounting for fiscally neutral adjustments, including initiatives eligible to be funded from the Greenhouse Gas Reduction Account

	\$M	17-18	18-19	19-20	20-21		Growth Rate 18-19 to 20-21
Preliminary Allocation							
Operating Expense	2,024.4	2,015.9	2,025.6	2,102.2	A		
Capital Expense	23.2	24.2	24.6	24.1	B		
Total Preliminary Allocation	2,047.7	2,040.2	2,050.2	2,126.3	C=A+B		
% Growth		(0.4%)	0.5%	3.7%			4.2%
Fall Economic Statement		-	-	-	D		
Total Allocation incl. FES		2,040.2	2,050.2	2,126.3	E=C+D		
Ministry Submission							
Operating Expense	1,995.6	2,032.8	2,087.1	F			
Capital Expense	25.3	26.0	24.6	G			
Total Ministry Submission	2,020.9	2,058.7	2,111.7	H=F+G			
% Growth			1.9%	2.6%			4.5%
Over/(Under) Preliminary Allocation		(19.3)	8.5	(14.6)	I=H-E		
Adjustment for Fiscally Neutral Items		0.0	0.0	0.0	J		
Adjustment for GGRA-Eligible Items		(10.2)	(20.2)	(20.2)	K		
Fiscal Impact of Ministry Submission		(29.5)	(11.6)	(34.8)	L=I+J+K		
Recommendation							
Approve-In-Principle							
Operating Expense	1,952.7	1,956.6	2,003.3	M			
Capital Expense	25.3	26.0	24.6	N			
Total Approve-in-Principle	1,977.9	1,982.6	2,027.9	O=M+N			
% Growth			0.2%	2.3%			2.5%
Defer							
Operating Expense	5.9	7.4	8.4	P			
Capital Expense	-	-	-	Q			
Total Defer	5.9	7.4	8.4	R=P+Q			
Do Not Approve							
Operating Expense	26.8	48.5	55.1	S			
Capital Expense	-	-	-	T			
Total Do Not Approve	26.8	48.5	55.1	U=S+T			
Recommendation Over/(Under) Preliminary Allocation		(62.3)	(67.6)	(98.4)	V=O-E		
Adjustment for Fiscally Neutral Items		-	-	-	J		
Adjustment for GGRA-Eligible Items		-	-	-	K		
Fiscal Impact of Recommendations		(62.3)	(67.6)	(98.4)	W=V+J+K		
Anticipated asks over allocation (Blue items) ²		20.0	18.0	15.0	X		
Fiscal Impact excl. anticipated asks		(82.3)	(85.6)	(113.4)	Y=W-X		

¹2017-18 amount represents current approved allocation including all in-year decisions to date.

²Represents out-year impacts of in-year approvals that ministries were required to report back on through their PRRT submission.

III. Programs with Key Decisions

A. Summary of Programs with Key Decisions

Request Type	Description of Request	O/C	Page	Recommendation
Strategic Asset Management				
	1) Indigenous Engagement (On-going Métis Nation of Ontario Negotiations)	O	5	Approve-In-Principle
	2) Consider as offset for International Energy Demonstration Fund	O	5	Do not Approve
	3) Program Savings Identified	O	5	Approve-In-Principle
Electricity Rate Mitigation				
	1) Forecast Update for Ontario's Fair Hydro Plan (FHP) transfer payments.	O	10	Approve-In-Principle
	2) Resources to administer FHP initiatives. Requesting 19 permanent FTEs and funding.	O	10	Defer
				
	3) Forecast pressures in certain TPs under Electricity Price Mitigation. (Recommendation is to manage risk centrally, only if insufficient internal offsets found in year)	O	10	Do Not Approve
Innovative Energy Technologies – Setting up new International Energy Demonstration Fund, and Smart Grid Fund				
	1) Establishing International Demonstration Fund	O	32	Defer to New Initiatives Request
	2) Establishing Smart Grid Fund	O	17	Approve-in-Principle

B. Program Details

Strategic Asset Management - Description

This program supports the Province as a shareholder of Hydro One in regards to managing its investment and governance relationship.

- The province has completed the broadening of Hydro One ownership through three secondary share offerings.
- Effort is on-going regarding First Nations Hydro One ownership shares.
- Negotiations are under way with Metis Nation of Ontario regarding Hydro One ownership shares.



Performance Measures

Outcome: The Province has committed to broaden the ownership of Hydro One in a staged and prudent manner over time to create lasting benefit for the public.

Program outcome measure: Progress towards ownership objective

Progress to date: The ministry is reported a 70.1% share in Hydro-One as of March 31, 2017, and of approximately 49.9% following the May 2017 offering. The program savings identified are unlikely to negatively impact progress toward the targetted 40% ownership in 2018.

Strategic Asset Management - Summary of Decisions

Total Expense	O/C	\$M	18-19	19-20	20-21	Recommendation
Current Approved Allocation			70.0	-	-	
Indigenous Engagement (MNO) Placeholder - may be needed in 2018-19	O	Requested	35.0	-	-	Approve-in-Principle
		Recommended	35.0	-	-	
Intra Program offset for Indigenous Engagement (MNO)	O	Requested	(35.0)	-	-	Approve-in-Principle
		Recommended	(35.0)	-	-	
Consider \$1.5M as offset for new International Energy Demonstration Fund. Note, Savings identified is recommended but not consideration as offset (see below)	O	Requested	-	-	-	Do Not Approve
		Recommended	-	-	-	
Program Savings Identified	O	Requested	(35.0)	-	-	Approve-in-Principle
		Recommended	(35.0)	-	-	
Total		Requested	35.0	-	-	
		Recommended	35.0	-	-	

Total Assets – N/A

Strategic Asset Management - Request Analysis



The Province completed the final offering of Hydro One common shares in May 2017, generating approximately \$2.8 billion in gross proceeds. The overall target of raising \$9 billion in gross proceeds and other revenue benefits from broadening the ownership of Hydro One was exceeded.

- The Province continues to hold approximately 49.9 percent of Hydro One's common shares and remains the largest shareholder. Assuming full participation by First Nations to purchase Hydro One shares from the Province by the end of 2017, the government would still hold roughly 47.4 percent of Hydro One.

As a result, Ministry indicates that, with the final offering completed, the remaining full out-year allocation of \$70M in 2018-19 is no longer needed. This is consistent with 2016-17 minuting.



- 2016-17 PRRT Minute, that provided \$70M per year from 2016-17 through to 2018-19, directed that any underspending be returned to TB/MBC and not be reallocated within the Ministry.

The Ministry notes ongoing discussions with the Métis Nation of Ontario (MNO), and is therefore, in the table below, requesting the following adjustment to the \$70M allocation in 2018-19.

- The MNO's lead negotiator was granted a mandate to negotiate within a \$20-30M range. In June 2017, the Provincial negotiating team received flexibility to provide up to \$25M in cash, subject to final TB/MBC approval.
- The Ministry has been directed, September 2016, to report back to TB/MBC for approval prior to finalization of the term sheet.

	(\$M)	2018-19 Request	Recommendation
Preliminary Allocation		70.0	
Proposed Use:			
• Retain placeholder amount for terms of a pending agreement with Métis Nation on Ontario (MNO)		30.0	Approve-in-Principle
• For Legal and financial costs associated with MNO negotiations		5.0	Approve-in-Principle
• Consider \$1.5M in savings as offset for the new LTEP initiative – International Energy Demonstration Fund			Do not approve
• Program Savings Identified		(35.0)	Approve-in-Principle (Increases to \$35M with deferral)
Revised Program Allocation		35.0	



Central Agency Assessment:



- Repurposing of the preliminary allocation for costs associated with MNO negotiations and potential terms of a pending agreement is reasonable.
- Since the International Energy Demonstration Fund is an above preliminary allocation

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request, it is being moved to the document initiative process. There is no need to consider \$1.5M as offset (Also, the request is not aligned with previous minuting not to reallocate funding within the Ministry).



- The agreement in principle with Chiefs of Ontario in July 2016 has an outside transaction closing date of December 2017 (i.e., December 31, 2017 to close the transaction, including achieving substantial minimum participation threshold from the 133 First Nations (80% participation minimum).

Recommendation:

- **Do Not Approve** redeployment of \$1.5M in 2018-19 towards the International Energy Demonstration Fund (Treat as a new initiative).
- **Approve-in-Principle** retaining \$35M in 2018-19 related to on-going MNO negotiations a placeholder for financial implications of an agreement.
- **Approve-in-Principle** savings of \$35M in 2018-19.

Additional Financial Details

1. Capital Expense – N/A
2. Minor Realignments – N/A

Electricity Rate Mitigation - Description

Ontario's Fair Hydro Plan provides electricity rate relief to eligible Ontarians through a number of transfer payment programs:

- Ontario Rebate for Electricity Consumers (OREC)
- Ontario Electricity Support Program (OESP)
- Rural or Remote Rate Protection Program (RRRP)
- On-Reserve First Nations Delivery Credit (FNDC)
- Northern Ontario Energy Credit (NOEC)

This initiative includes two PRRT programs: Rate Mitigation, and Ontario Rebate for Electricity Consumers.

Rate Mitigation - Description

Delivered by the Ontario Energy Board, the Ontario Electricity Support program provides a monthly rate reduction directly on bills of eligible low-income electricity consumers in Ontario. Credits are calculated by household size and income and range from \$35 - \$75 per month. Rural or Remote Rate Protection (RRRP) provides a direct credit on the electricity bills of rural or remote residential customers who are faced with higher distribution costs compared to urban areas. The On-Reserve First Nations Delivery Credit removes delivery charges directly from on-reserve First Nations' customers' electricity bills.

Issue/Need: The 2017 Budget includes providing substantial relief from electricity bills as a key priority. Certain customers are in greater need of support and rate relief, such as low-income, customers relying on electricity intensive medical devices, customers living in the North with more expensive home heating costs. Rural and remote customers face high distribution costs on their electricity bills as the cost of distributing power to lower-density areas is much higher than for urban and higher density areas.



Performance Measures

Outcome: Electricity is made more affordable for residential customers, small businesses and farms by the Ontario Electricity Support Program, Rural or Remote Rate Protection, On-Reserve First Nations Delivery Credit.

Program outcome measure: Reduction of electricity bills for residential, small business and farm customers.

Progress to date: The rate mitigation began in 2017 with an anticipated impact of \$2.245 MWh in 2018. The value is the reduction in regulatory charges and this has been set and will continue to be the same year over year. These savings exist from the regulatory changes made and the charge difference will not vary going forward. The savings amount will not be impacted by the decision, however the reach of the program and uptake of the program should be monitored closely.

- The ministry has reported enrollment to the Ontario Electricity Support Program at 188,237 as of September 31, 2017 and a target of 407,441, 60% of eligible customers, by 2020.

Ontario Rebate for Electricity Consumers – Description

The program provides an 8% rebate, equal to the provincial portion of HST, to consumers eligible for the Regulated Price Plan and other eligible consumers as defined by legislation – this includes about five million residential consumers, small businesses and farms. The program began on January 1, 2017.

Issue/Need: Since 2010, electricity prices have risen considerably, particularly for households and small businesses. Prices are forecast to continue to increase as additional generation comes online.

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The 8% rebate is part of a broader package of rate mitigation measures, that will help all electricity rate payers, announced in the 2016 Speech from the Throne, including: enhancement of existing Rural or Remote Rate Protection to provide additional support to approximately 330,000 eligible rural consumers; and expanding participation in the Industrial Conservation Initiative to allow more businesses to participate.



Performance Measures

Outcome: Electricity is made more affordable by the Ontario Rebate for Electricity Consumers program during a period of rising prices as Ontario transitions to a cleaner, modern electricity system.

Program outcome measure: Average reduction to electricity bills to households, small business and farms.

Progress to date: The program came into effect in January 2017 with an on-going targeted 8% reduction over the life of the program. As of December 2017, all Local Distribution Companies are reporting their OREC claims through the IESO to recover the 8% rebate.

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Rate Mitigation - Summary of Decisions

Total Expense	O/C	\$M	18-19	19-20	20-21	Recommendation
Current Approved Allocation			1,633.4	1,711.0	1,787.0	
Forecast Update for Ontario's Fair Hydro Plan (FHP) Transfer Payments	O	Requested	(51.8)	(82.0)	(111.0)	Approve-in-Principle
		Recommended	(51.8)	(82.0)	(111.0)	
Resources to administer FHP initiatives. Requesting 19 permanent FTEs starting in 2018-19 and funding	O	Requested	4.4	4.4	4.4	Defer to Wrap-up
		Recommended	-	-	-	
Forecast pressures in certain TPs. Recommendation is to manage risk centrally, only if insufficient internal offsets found	O	Requested	26.8	48.5	55.1	Do Not Approve
		Recommended	-	-	-	
Total		Requested	1,612.9	1,681.9	1,735.5	
		Recommended	1,581.6	1,629.0	1,676.0	

Total Assets	O/C	\$M	18-19	19-20	20-21	Recommendation
Current Approved Allocation			0.0	0.0	0.0	
 1) OPG Share Purchase (Equity Injection)	O	Requested	1,100.0			Approve-in-Principle
		Recommended	1,100.0			
Total		Requested	1,100.0	-	-	
		Recommended	1,100.0	-	-	

Rate Mitigation - Request Analysis



Transfer Payment Forecast Update:

The Ministry is requesting to update transfer payments allocations under Electricity Price Mitigation to align with updates to forecasts. As a result of the updates, the Ministry's submission is seeking approval to redeploy no longer needed funding, and to declare a portion as savings.

2018-19 ENERGY PRRT Submission				
Forecast Update:		(\$M)	2018-19	2019-20
				2020-21
1	OREC Revised Forecast Savings	-	-	(5.0000)
2	OREC as Offset for 19 Perm FTEs Admin request	(2.0000)	-	-
3	OREC as Offset for new International Energy Demonstration Fund	-	(3.0000)	(4.0000)
4	OREC Offset for new Smart Grid Fund	(20.0000)	(18.0000)	(15.0000)
5	FNDC Revised Forecast	(0.4000)	-	-
6	OESP Revised Forecast	(0.1534)	(8.0534)	(27.4534)
7	OESP as Offset for 19 Perm FTE Request	(2.4466)	(4.4466)	(4.4466)
8	OESP as Offset for increase in RRP and FNDC	(26.8000)	(48.5000)	(55.1000)
Total Forecast Savings (Gross)			(51.8000)	(82.0000)
				(111.0000)
9	FNDC Revised Forecast		0.9000	1.9000
10	Pressure in new Distribution Rate Protection RP (Now split off from RRRP)	26.8000	47.6000	53.2000
Total Forecast Pressures (Within Electricity Price Mitigation)			26.8000	48.5000
				55.1000
Forecast Savings (Net)			(25.0)	(33.5)
				(55.9)

The Ministry is also creating a transfer payment line for Distribution Rate Protection Program (DRP) and reallocating a portion of RRRP allocation towards DRP during the 2018-19 PRRT Submission.



Operating Asset – OPG Share Purchase:

Ontario's Fairy Hydro Plan was announced in March 2017 and includes a number of measures to provide relief to electricity consumers, including refinancing the Global Adjustment (GA) costs. The refinancing of the GA is to come from the following sources:

- 51 percent of the funding will come from debt financing through Capital Markets
- 49 percent will come from OPG
 - o 44 percent to come from an equity cash injection from the Province
 - o 5 percent to come from financing from capital markets through medium term notes (subordinated to financing under 1).

This request is for the 44 percent that the Province has committed to funding through equity injections in OPG. The GA refinancing would be about \$2,500M per year on average for the first 10 years. Using the average amount and applying 44 percent, results in an estimated equity injection of \$1,100M.

The Ministry notes the estimated equity injection for 2018-19 is \$974M. However given these

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amounts may be updated, for prudence, the Ministry of Energy recommends an allocation of \$1,100M for the 2018-19 period for the equity injection.



As part of its annual business plan, OPG is required to submit equity requirements forecasts. An updated forecast of the equity injection will be provided to TB/MBC when the Ministry submits OPG's 2018-20 Business Plan.

FTE Request:

The Ministry's expanded mandate, administering TPs under the Fair Hydro Plan, has resulted in increased workload that the Ministry indicates it is managing with 19 risk-managed FTEs, and that this short-term strategy is not sustainable.

Activities include:

- Forecasting, data modelling and analysis
- Oversight on policy, regulation and legislative changes
- Providing financial and risk management expertise and oversight;
- Developing internal control framework to ensure the financial integrity
- Overseeing program performance and identifying operational issues;
- Managing contracts and agreements that are integral to the day-to-day ongoing administration;
- Designing and implementing a program evaluation framework
- Communications and marketing support

The Ministry is requesting 19 permanent FTEs starting in 2018-19 and funding of \$4.4M/year, including \$1.9M in Salaries and Wages, starting in 2018-19 (Forecasted savings in Fair Hydro Plan Transfer payments cited as offset for the funding request):

- 4 starting in 2018-19 OREC
- 5 starting in 2018-19 OESP
- 6 starting in 2018-19 for RRRP, DRP, FNDC
- 1 FTE Affordability Fund
- 3 Forecasting & Analysis, and Regulatory Support

Energy staff indicate the 19 new FTEs would be located at 77 Grenville (Downtown Toronto), utilizing existing vacant space.

Central Agency Assessment:



2017-18 PRRT Minutes included the following executive controls:



- The Board approved redeploying underspending within Transfer Payments under Electricity Price Mitigation (Vote/item 2905-1) to address pressures elsewhere in Transfer Payments within Electricity Price Mitigation (Vote/item 2905-1).
- The Board directed that no funding from within Electricity Price Mitigation (Vote/item 2905-1) is to be redeployed within the Ministry outside of Electricity Price Mitigation (Vote/item 2905-1).

Although the Ministry's submission buckets portions of transfer payment forecast updates as offsets for requests, the total forecast savings (gross) should be accepted to reflect executive

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controls.

The following tables take a closer look at movements within the key Fair Hydro Plan transfer payments:

Ontario Rebate for Electricity Consumers						
	(\$M)	2016-17	2017-18	2018-19	2019-20	2020-21
September 2016 TB/MBC Submission OREC		300	1006	1004	1004	1004
March 1, 2017 TB/MBC approvals supporting OFHP included full year projected costs			1006	1004	1004	1004
2017 Budget			939	882	882	895
				-6%	0%	1%
2018-19 PRRTRequest (2017-18 is the Q2 Risk Based Outlook)			883	860	861	871
				-3%	0%	1%
% Change 2018-19 PRRT from 2017 Budget			(6%)	(2%)	(2%)	(3%)
TBS Staff Recommendation				860	861	871
				(2.6%)	0.1%	1.2%

- The Ministry's PRRT identifies savings of \$22M in 2018-19, \$21M in 2019-20, and \$24M in 2020-21.
- The Ministry indicates its estimate of OREC program costs have been greater than actual costs (OREC automatically added to every eligible consumer's bill beginning January 1, 2017). Prior to roll-out, initial program forecasts were determined through historical data and assumptions on a number of variables, including program uptake, weather, consumption, electricity rates, etc. Since implementation, the Ministry has collected and analyzed actual program data to produce revised forecasts.
- The variance between estimate and actual, the Ministry notes, could be the result of several factors, including the assumed retail contract premiums, the share of OREC consumers on retail vs RPP contracts and bill reductions as result of OFHP. Also, total consumption for 2017 is expected to be lower than previous years, partly due to unseasonably cool weather over the summer period when electricity consumption is typically at its peak.
- The model has also been adapted to calculate prices on an RPP basis to more accurately reflect changes announced under the OFHP. Combined, these modifications mean the Ministry cost estimates align more closely with the OREC actuals.
- The Ministry was directed to seek TB/MBC approval prior to establishing any year-end accruals related to the various electricity price mitigation initiatives under Vote/Item 2905-1.

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Ontario Electricity Support Program					
	(\$M)	2017-18	2018-19	2019-20	2020-21
Feb 2017 Cabinet Deck		178	239	290	334
March 1, 2017 TB/MBC approvals supporting OFHP included full year projected costs		186	261	325	375
2017 Budget		140	261	325	375
	% change from previous year		86%	25%	15%
2018-19 PRRT Request (2017-18 is the Q2 Risk Based Outlook)		40	230	264	288
	% change from previous year		475%	15%	9%
	% Change 2018-19 PRRT from 2017 Budget	(71%)	(12%)	(19%)	(23%)
Note: 2017-18 - Payments from Province only after \$100M variance account drawn to zero.					
Efforts under way to increase OESP participation towards 100%					
TBS Staff Recommendation			230	264	288
			475%	15%	9%

- The Ministry's PRRT identifies savings of \$29.4M in 2018-19, \$61M in 2019-20, and \$87M in 2020-21.
- While the Ministry indicates it will undertake steps to achieve 100% enrolment over the next four years, its revised forecast assumes that the program will only reach 60% by 2020-21 and will grow at a slower rate compared to what was originally estimated.
- In July 2017, TB/MBC approved a plan to increase OESP participation from recipients receiving social assistance from the province.
 - o The ministries, MCSS primarily and Energy, indicate approximately 113,600 SA clients are eligible for OESP; however, only 20% have enrolled – i.e., 90,880 receiving SA are not receiving OESP credits.
 - o The ministries indicate the dedicated team of 20 FTEs was established by October 2, 2017. As of November 10, 1,798 SA clients have been enrolled in OESP, with an additional 1,066 in progress.
 - At the current temporary dedicated resourcing level, anticipated achievement expected: outreach to 42% of existing SA clients, enroll up to 23,600 existing SA clients by June 2018, and enroll up to 19,500 new referrals from local offices.
 - o Should the Board approval the pending MCSS request for 30 additional temporary FTEs, the ministry anticipates completing outreach to all existing SA clients, enroll up to 37,200 existing SA clients by June 2018, and enroll up to 19,500 new referrals from local offices.
 - This would move the original 20% figure of enrolment up to 66%.
 - o Regarding the IT project for automatic enrolment, MCSS indicates it is currently in the business requirements and design specification development state, with targeted completion for summer 2018.

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Rural or Remote Rate Protection					
	(\$M)	2017-18	2018-19	2019-20	2020-21
Feb 2017 Cabinet Deck		454	450	446	444
March 1, 2017 TB/MBC approvals supporting OFHP included full year projected costs		459	472	484	497
2017 Budget (Partial year for 2017-18)		344	472	484	497
% change from previous year			37%	3%	3%
2018-19 PRRTRequest (2017-18 is the Q2 Risk Based Outlook)		352	499	532	550
% change from previous year			42%	7%	3%
% Change 2018-19 PRRT from 2017 Budget		2%	6%	10%	11%
TBS Staff Recommendation			472	484	497
			34%	3%	3%

- The Ministry's PRRT identifies a net pressure of \$26.8M in 2018-19, \$47.6M in 2019-20, and \$53.2M in 2020-21 within this program.
- The Ministry is requesting to separate out the allocation for Distribution Rate Protection (DRP) from the RRRP TP Line, where the pressure is occurring.
 - The Ministry is forecasting a DPR pressure of \$38M in 2018-19, \$63.7M in 2019-20, and \$75.0M in 2020-21. The revised forecast assumes Hydro One's rates are approved as filed, and uses Hydro One projected customer numbers.
 - The largest DPR cost of the program is supporting customers of Hydro One Networks, as Hydro One has the largest number of eligible customers by a considerable amount and also the highest rates.
 - The original cost projections assumed a maximum monthly charge of \$38. The OEB subsequently determined a charge of \$36.43 due to lower rates for Northern Ontario Wires being approved than anticipated, which increased program costs.
 - Remaining RRRP has a surplus of \$11.3M in 2018-19, \$16.1 in 2019-20, and \$21.8M in 2020-21.
 - TBS staff note leaving the surplus, as recommended, in RRRP partially offsets the DPR pressure amounts.

On-Reserve First Nations Delivery Credit					
	(\$M)	2017-18	2018-19	2019-20	2020-21
Feb 2017 Cabinet Deck		20	20	20	20
March 1, 2017 TB/MBC approvals supporting OFHP included full year projected costs		20	20	20	20
2017 Budget		15	20	20	20
	% change from previous year		33%	0%	0%
2018-19 PRRTRequest (2017-18 is the Q2 Risk Based Outlook)		15	19.6	20.9	21.9
	% change from previous year		31%	7%	5%
	% Change 2018-19 PRRT from 2017 Budget	0%	(2%)	4%	10%
TBS Staff Recommendation			19.6	20.0	20.0
			31%	2%	0%

- For this PRRT cycle the transfer payment could be held at \$20M in 2019-20 and on-going.

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Affordability Fund

March 2017 TB/MBC (\$200M Commitment- Only \$100M announced, some public reporting of \$200M commitment)

(\$M) 2016-17 2017-18 2018-19 2019-20 2020-21

100

- October 24, 2017 Ontario launched the \$100M program. As of October 31, 2017 only \$0.4M spent. The Fund has now started to accept funding applications from electricity distributors.
- The Ministry will provide regular updates through quarterly reporting, including spending to date, results to date starting Q4 2017-18.

TBS staff recommendation also includes not reallocating gross forecast savings to address transfer payment pressures (Realignment is permitted under executive controls).

- TB/MBC could decide to manage the pressures in rows 9 and 10 above in a similar way as done for forest fire fighting and business risk management – corporately manage the risk and offset from the Treasury Board Contingency Fund if the Ministry cannot identify sufficient internal offsets in-year.

Operating Asset – OPG Share Purchase – TBs staff are supportive of the Ministry's request to keep the operating asset at \$1,100M for 2018-19. This is a key element to enable refinancing Global Adjustment under the Fair Hydro Plan. Going with the current forecast amount of \$974M for 2018-19 could create funding pressures if subsequent forecast updates raise the amount needed.

FTEs – TBS staff discussions with the Ministry are on-going. No FTEs have been provided to date for OREC or new transfer payments moving from the being ratepayer funded, it seems reasonable that there should be some resources for administering \$1.6B in transfer payments.

Requesting more info on how currently "risk managing 19 FTEs," are there scalable options? Is there vacant space at 77 Grenville?



Risk considerations noted:

- Program costs are highly dependent on uptake, number of customers, approved rates, and / or electricity usage, and as such, can fluctuate from year to year.
- Key Risk – Hydro One Distribution (Dx) Rates – Hydro One Networks has the largest number of customers eligible for DRP and FNDC. It comprises the majority of these programs' costs. Hydro One Networks also has the highest distribution rates in the province. Hydro One has filed an application with the OEB to increase its rates in 2018, 2019, 2020, 2021 and 2022. If approved, this would increase DRP costs and would also affect FNDC program costs.
 - o Hydro One has made an application to the OEB for rates for 2018 to 2021, which if approved, could increase program costs by \$65M per year by fiscal 2020-21.
 - o Northern Ontario Wires reached a settlement for 2017 rates which reduced the maximum monthly charge by \$1.57. This increases costs in the current fiscal year

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by \$10M.

- For OESP – The Ministry will estimate growth towards 100% participation from 2018-2019 onwards at a more conservative rate.
- These programs (TPs) are permanent programs and costs will continue to be incurred past 2021-22. Electricity prices, after the first 4 years of the Ontario Fair Hydro Plan, are projected to increase above inflation for the foreseeable future.

Recommendation:

- **Approve-in-Principle** Gross savings forecast update for Fair Hydro Plan Transfer Payments.
- **Approve-in-Principle** Operating Asset of \$1,100M in 2018-19 for OPG Share Purchase.
- **Defer to Wrap up** request for 19 permanent FTEs and funding starting in 2018-19
- **Do Not Approve** funding pressures within transfer payments. Note, the risk identified will be managed corporately and be offset from the Treasury Board Contingency Fund if the Ministry cannot identify sufficient internal offsets in-year to address pressures.

Additional Financial Details

3. Capital Expense – N/A Minor Realignments – N/A

Innovative Energy Technologies - Description

The renewed Smart Grid Fund (\$60M over five years) would involve an expanded program scope and target grid modernization innovative solutions.

Issue/Need: The Minister's 2016 Mandate letter commits the ministry to develop long-term energy plans guided by themes such as innovation and grid modernization. Investing in innovative technologies supports Ontario energy companies abroad, domestically and raises the profile of the Province's energy sector.



Performance Measures

Outcome: Help the energy sector mature and support the domestic adoption and commercialization of smart grid technologies; support international demonstration of Ontario smart grid, renewable and other innovative energy technologies.

Program outcome measure: Advancing Commercialization in the Sector; Supporting Diversification to International Markets.

Progress to date: This is a new program. The ministry will be tracking number of sales generated domestically and internationally, the number of international demonstration projects, and jobs created. Progress will be dependent on the programs receiving funding.

Innovative Energy Technologies - Summary of Decisions

[illegible]

Total Assets – N/A

Innovative Energy Technologies - Request Analysis



Smart Grid Fund –

The Ministry received Treasury Board approval on August 16, 2017 to renew the SGF for \$60 million over five years, beginning in 2017-18. The Ministry is requesting outyear funding through the 2018-19 PRRT inline with its inyear submission.

2018-19	2019-20	2020-21	2021-22	Total (\$M)
20.0	18.0	15.0	7.0	60.0

Central Agency Assessment:



The outyear funding implications of the 2017-18 in-year decision was flagged as part of the Ministry's preliminary allocation. In addition to identifying the funding required, it has also identified savings within Electricity Price Mitigation as a fiscal offset for this renewed program.

In August 2017, TB/MBC approved renewal of SGF and directed a report back through the 2018-19 PRRT to:

- Request funding of up to \$60,000,000 on a multi-year basis, from 2018-19 to 2021-22, with no funding needed in 2017-18.
- Identify any refinements made to the renewed Smart Grid Fund program resulting from upcoming stakeholder consultations, including but not limited to changes in eligibility, and outcomes from investigating options to create a direct benefit for government for providing public funding toward smart grid and business development.
- Work with Treasury Board Secretariat to provide additional performance measure information including measures and targets for the renewed program.

Since this is the second of two 2017 Long Term Energy Plan initiatives, this could track a New Initiative, alongside the International Energy Demonstration Program.

Recommendation:

- o **Approve-in-Principle:** Smart Grid Fund - \$60M over five years that started in 2017-18.

Additional Financial Details

4. Capital Expense – N/A

5. Minor Realignments – N/A

IV. Programs without Key Changes

Total Expense \$M	Current Approved Allocation			Recommended Allocation		
	18-19	19-20	20-21	18-19	19-20	20-21
Approve-In-Principle - Status Quo						
Northern Ontario Energy Credit	26.0	26.0	26.0	26.0	26.0	26.0
Long-Term Energy Plan Program Initiatives	3.4	3.4	3.4	3.4	3.4	3.4
Ministry Admin (Legal Services Branch)	3.3	3.3	3.3	3.3	3.3	3.3
Approve-In-Principle - Minor Changes to Program Allocation						
Energy Policy Development and Implementation	21.0	21.0	21.0	21.6	22.1	22.1
• Internal Realignment						
Electricity & Natural Gas Sector Regulation(OEB)	46.0	46.0	45.5	46.4	46.5	47.2
• Consolidated Agency update						
Electricity Market Op & System Planning (IESO)	222.9	225.8	225.8	227.1	221.6	221.6
• Capital acquisition (gross addition in capital asset) for IESO is projected to increase by \$176M over 10 years. \$156M is investment primarily for information technology related to the capital implementation costs of the Market Renewal program and \$20M is investment for information technology related to the upgrade of the Smart Metering meter data management system. These investments will be funded from the rate base.						
Ministry Admin (Corporate Services Branch)	5.2	5.2	5.2	5.2	5.2	5.2
• Transfer to GSIC - IT Rationalization - Vendor Optimization. Also an Intra Program realignment						
Ministry Admin (Communications Services Branch)	4.1	4.1	4.1	4.1	4.1	4.1
• Offsetting Realignment within the Program						
Ministry Admin (MO, DMO)	2.6	2.6	2.6	2.6	2.6	2.6
• Offset for increase in Energy Policy Development						
Climate Change Action Plan, GGRA Initiatives	2.2	1.9	2.5	1.6	0.7	1.4

Treasury Board/Management Board of Cabinet Assessment Note

Defer to Wrap-up

Climate Change Action Plan, GGRA Initiatives	-	-	-	10.2	20.2	20.2

Do Not Approve N/A

Treasury Board/Management Board of Cabinet Assessment Note

V. Key Risks

Risk Description	Mitigation / Action	Risk Status
Electricity Rate Mitigation Programs (ERMP): ERMPs accounts for \$1.6B (80%) of the Ministry's 2018-19 Preliminary allocation. These programs represent the largest fiscal risk exposure to the Ministry as they are tied to legislation that entitles recipients to funding. Actual fiscal costs may fluctuate depending on external factors (e.g. electricity prices, consumption, weather, and general economic and demographic factors of consumers). For example, Hydro One has made an application to the OEB for rates for 2018 to 2021, which if approved, could increase Distribution Rate Protection program costs by \$65M per year by fiscal 2020-21. The Ministry is currently risk-managing 19FTEs above its allocation to support the administration of five transfer payment programs.	The Ministry will continue to collect and analyze actual program data in order to update forecasts. The Ministry is seeking approval for 19 permanent FTEs, and to realign reductions in out-year TP forecasts to offset program administration needs, starting in 2018-19.	High
Métis Nation of Ontario Negotiation in Relation to Broadening the Ownership of Hydro One Ministry reported back to TB (September 13th) and Cabinet (September 28th) and obtained a revised mandate for discussions with MNO. Discussions are currently under way, and depending on the terms and timing of the final agreement, the Ministry may require up to \$35M in 2018-19 in support of the MNO negotiation and settlement.	The Ministry will report back to TB/MBC for approval prior to finalization of the term sheet. Placeholder funding request under Key Decision #1	High
Affordability Fund Trust The Affordability Fund is a \$200M program that serves households who are not eligible for low income conservation programs and unable to make energy efficiency improvements without support. In March 2017, TB/MBC approved \$100M to establish the Fund as part of the government's Ontario Fair Hydro Plan. Depending on program results and electricity customer needs, the Affordability Fund Trust could require additional funding, up to \$100M, in 2018-19.	Starting Q4 2017-18, the Ministry will provide regular through Quarterly Reports - spending to date, results to date and a value for money assessment, The Ministry will continue to assess the need for additional funding based on program results and electricity customer needs.	High

Treasury Board/Management Board of Cabinet Assessment Note

VI. Greenhouse Gas Reduction Account (GGRA) Decisions

GGRA Operating Initiative	Eligible for GGRA	Description	Initiative Cost \$M		
			18-19	19-20	20-21
Microgrid Technology for Diesel Reduction	☐ Yes ☐ No	There are currently 25 communities in northwestern Ontario which rely on diesel fuel to generate electricity. For many of these communities, grid connection is a viable option, and Ontario is pursuing grid connection for those communities as the single largest opportunity to reduce diesel reliance. For the four communities (Weenusk, Fort Severn, Whitesand and Gull Bay) where transmission connection is not economical, renewable microgrids are the most economical option to reduce diesel dependence and provincial investments are merited on the basis of the IESO's findings. A GGRA request for \$50M over three years to support all of the costs of delivering this program is currently being assessed by the Ministry of the Environment and Climate Change.	9.78	19.78	19.78
Name, GOS Case #]		• Requesting 1.5 Permanent FTEs (1 Senior Advisor, 0.5 Financial Analyst – to be shared with EV project). \$0.15M S&W • Ministry estimates it can administer program at 3% of total program cost. • Approve creation of new Transfer Payment line Microgrid Technology for Diesel Reduction (Vote/item 2901-1)	0.22 10.00	0.22 20.00	0.22 20.00
Electric Vehicle Overnight Charging – FTE Request	☐ Yes ☐ No	The CCAP Minute directed the Ministry of Energy to proceed with the implementation of a four-year free overnight electric vehicle-charging program for residential and multi-unit residential customers starting in 2017.	0.22	0.22	0.22
[Name, GOS Case #]]		• 1.5 Permanent FTEs for duties that cannot be executed by the services provider. (1 Senior Advisor, 0.5 Financial Analyst – to be shared with EV project).. \$0.15M S&W			

VII. FTE Summary



The Ministry has a total FTE Allocation of 201.61 and is currently under/over its allocation with a vacancy of +1.39 (over allocation) for the month of October 2017.

	17-18 ¹	18-19	19-20	19-20	
Preliminary FTE Allocation²					
Base	201.61	204.61	204.61	204.61	A
Total In-Year Permanent					B
Total In-Year Temporary					C
Total Inter-Ministry Transfers (Sending: Permanent-/Temporary-) (Receiving: Permanent+/Temporary+)					D
Total Preliminary FTE Allocation³	201.61	204.61	204.61	204.61	E=A+B+C+D
Ministry FTE Request²					
Permanent FTEs		22.00	22.00	22.00	F
Temporary FTEs		-	-	-	G
Inter-Ministry Transfers – FTEs (Sending: Permanent-/Temporary-) (Receiving: Permanent+/Temporary+)		(2.0)	-	-	H
Total Ministry FTE Request		20.00	22.00	22.00	I= F+G+H
FTE Recommendation²					
Approve-In-Principle					
Permanent FTEs		-	-	-	J
Temporary FTEs		-	-	-	K
Inter-Ministry Transfers – FTEs (Sending: Permanent-/Temporary-) (Receiving: Permanent+/Temporary+)		(2.0)	-	-	L
Total FTEs		-	-	-	M=J+K+L
Revised FTE Allocation		202.61	204.61	204.61	N=E+M
Total FTEs Defer					
		22.00	22.00	22.00	O
Total FTEs Manage from Within		-	-	-	P

¹2017-18 number includes all in-year decisions to date.

²Numbers are “all up” (e.g., if the request is for X permanent FTEs in 2018-19, the same number of X FTEs will show in each year)

Treasury Board/Management Board of Cabinet Assessment Note

FTE Decisions by Program



		18-19		19-20		20-21		Recommendation	Pg
		P	T	P	T	P	T		
Temp transfer to MGCS – Government Services Integration Cluster – Energy and Water Reporting and Benchmarking Project								Approve-in-Principle	-
Requests			-	-	-	-	-		
Inter-Ministry Transfers			(1.0)	-	-	-	-		
Total			(1.0)				-		
Temp transfer to MAG – Civil Law								Approve-in-Principle	
Requests	Requests	-	-	-	-	-	-		-
Inter-Ministry Transfers	Inter-Ministry Transfers	-	(1.0)	-	-	-	-		
Total			(1.0)		-		-		
Total FTEs: Approve		-	(2.0)	-	-	-	-		
Electricity Rate Mitigation – Requesting 19 Permanent FTEs starting in 2018-19 to administer social programs transferred to being taxpayer funded.								Defer	
	Requests	19.0	-	19.0	-	19.0	-		-
	Inter-Ministry Transfers	-	-	-	-	-	-		
Total		19.0		19.0		19.0			
GGRA – Microgrid Implementation								Defer, and Project is time limited	
	Requests	1.5	-	1.5	-	1.5	-		-
	Inter-Ministry Transfers	-	-	-	-	-	-		
Total		1.5		1.5		1.5			
GGRA – EV Overnight Charging								Defer, and Project is time limited	
	Requests	1.5	-	1.5	-	1.5	-		-
	Inter-Ministry Transfers	-	-	-	-	-	-		
Total		1.5		1.5		1.5			
Total FTEs: Defer		22.00	-	22.00	-	22.00	-		
N/A									
	Requests	-	-	-	-	-	-		-
	Inter-Ministry Transfers	-	-	-	-	-	-		
Total		-		-		-			
Total FTEs: Manage from within		-	-	-	-	-	-		

Appendices

- Legend: Icons
- Ministry Program Inventory and Performance Measurement System
- ORBIT Reports
 - Program Changes
 - FTE Impact Summary
 - Technical & Admin. Decisions
 - 10-year capital expense and asset plans
 - Ministry-reported Risks
- Other Supporting Schedules
- New Initiatives Requests

Treasury Board/Management Board of Cabinet Assessment Note

Legend: Icons

	Information		Increase in funding		I&IT
	Transformation		Decrease in funding		Negotiating mandate
	Key Performance Indicators		Increase in funding offset by revenue		Consultation
	Key Risks		Inter-ministry transfer of funding/resources		Announce
	Financial		Internal realignment/funding offset from within allocation		
	Central Agency Assessment		Re-profile funding		
	Sustainability		Resources/FTEs		

Treasury Board/Management Board of Cabinet Assessment Note

Ministry Program Inventory and Performance Measurement System

Program Inventory

The ministry has submitted ten external PRRT programs that encompass the full scope of its core lines of business. These were developed through a comprehensive approach to refining the PRRT program inventory, and reflect three over-arching lines of ministry business:

- **Energy development and management:** reflects the ministry's policy development and support to its ratepayer funded agencies to ensure the successful delivery of reliable and affordable energy to Ontarians.
- **Electricity price mitigation:** to capture the impact of Ontario's Fair Hydro Plan, as well as of programs focusing on the energy consumer, including support for those who need it most.
- **Energy use and Climate Change:** to reflect the broader focus on energy within key climate change initiatives and the province's integrated approach to combating climate change.

Of note are two new programs that highlight expanded priorities and areas with significant transformational opportunities:

- **Innovative Energy Technologies:** investment in innovation and modernization in the energy sector to enable consumer choice and economic development opportunities.
- **Climate Change Action Plan, Greenhouse Gas Reduction Account Initiatives:** for initiatives related to the *Climate Change Action Plan*, which will play a key role in the development of the 2017 Long-Term Action Plan.

The **Strategic Asset Management** program remains unchanged within the refined inventory, to continue capturing the broadening of Hydro One and other strategic assets.

Performance Measurement

Overall the ministry has provided some strong measures that align with its mandate and government strategic priorities. The Ministry of Energy has publicly described the need for a strong energy foundation to support communities and businesses in all areas of the province. It is also focused on building agility to adapt to future sector evolutions. These are reflected in the ministry's KPIs and program level measures.

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The KPIs are based on valid and reliable data sources, many with ambitious targets guided by the strategic energy framework and the Long-Term Energy Plan. All five KPIs are recommended for approval.

Where data and trends are available, the KPIs show ongoing progress in important outcomes:

- **CO₂ emissions from Ontario's electricity sector** decreased from 29.10Mt (2008-09) of CO₂ to 3.90 Mt of CO₂ (2017-18).
- Between 2005 and 2015, **Ontarians conserved 13.5 terawatt-hours (TWh) of electricity** which is equivalent to the electricity used annually by 1.5 million households, or the amount of electricity that powered the cities of London, Kingston, Ottawa, Peterborough and Thunder Bay in 2015.

The remaining KPIs will monitor progress on more recent strategic initiatives to **minimize the annual growth of electricity costs to Ontarians**, **support innovation in the energy sector**, and **improve asset management** (i.e., net income from Hydro One and OPG).

Program level measures are aligned with ministry priorities and have the potential to allow for monitoring progress against program outcomes. For instance:

- Estimated cumulative energy savings in 2032 resulting from efficiency standards set through amendments to Ontario's energy efficiency regulation from 2012 to 2017 was 101.3 PJ. This marks an increase from estimated cumulative savings from the baseline year (2012-13) of 21.40 PJ in the baseline year (2012-13) and demonstrates a significant contribution toward Ontario's long-term conservation outlook.
- Enrolment of eligible customers into the Ontario Electricity Support Program (OESP) reached 188,237 at baseline (early 2017). The ministry expects that 60% of estimated ~679,000 eligible customers will be enrolled by target date 2020.

Given the integrated nature of the ministry's work and objectives, some program level measures are so similar in nature it may dilute the degree to which they are meaningful, and able to track program productivity, when taken together. For instance, reduction in electricity costs for households, small businesses, and farms is a similar measure to the ministry KPI regarding the electricity costs to Ontarians. However, where this means more specific measurement at the program level, this detail may aid in the interpretation of the ministry level KPI.

Future opportunities exist within the performance system to enhance the reporting of the impact of engagement work with Indigenous partners and remote communities.

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Key Performance Indicator (KPI)	Status	Progress to Date	Strategic Alignment	Relevance for Decision Making	Technical Standards	Recommendations
Maintaining low electricity sector emissions in support of the province's climate change targets (measured levels of CO₂ emissions in the electricity sector)	Approved in 2017-18 Current Value: 3.9 Mt (2017-18)	CO₂ emissions have steadily decreased since 2008 (29.10) to the current value of 6.20 at the end of 2016. Emissions are expected to remain low and relatively flat.	The KPI is aligned to mandate commitments related to demonstrating leadership in energy efficiency standards as well as to the commitment to promote energy conservation.	Aligns to goals and targets of the strategic energy framework through the Long-Term Energy Plan. Given the focus on climate change targets, future opportunities exist to refine the measure and/or target to inform continuous improvement. This may include alignment with other Climate Change Action Plan initiatives.	Reliable and timely data source with the capacity to provide reliable projections which could be helpful for strategic planning and alignment. Segmenting the measure by region could help signal any areas where the performance and overall trends are discrepant.	Overall a strategically important and technically sound measure to track electricity sector emissions in support of climate change targets. The ministry is encouraged to continue reporting on this measure, with future consideration of refining the measure or lowering the target.
Continue to increase energy efficiency and conservation in Ontario (cumulative reduction in energy consumption)	Approved in 2017-18 Current Value: 13.5 TWh (2015)	Between 2005 and 2015, Ontarians conserved 13.5 terawatt-hours (TWh) of electricity which is equivalent to the electricity used annually by 1.5 million households, or the amount of electricity powered by the cities of London, Kingston, Ottawa, Peterborough and Thunder Bay in 2015.	Aligned to mandate commitments related to demonstrating leadership in energy efficiency standards as well as to the commitment to promote energy conservation. It promotes a focus on the energy consumer and monitoring behaviour change.	Has strong potential to inform policy and program design/evaluation. For instance, when regional results exceed provincial outcomes, this measure may highlight areas of particular success and effective conservation programs. It may also signal opportunities for targeted intervention where energy conservation is not meeting the provincial average.	Technically sound measure using conservation data from the Independent Electricity System Operator (IESO) and Ontario Energy Board (OEB).	Overall a strategically important measure. The ministry is encouraged to continue reporting on this measure, with regular review of regionalized results to guide continuous improvement of conservation programs.
Minimize annual growth of electricity costs consistent with Ontario's Fair Hydro Plan (electricity cost for a typical residential consumer)	Current Value: \$128.00 (2017-18)	Since 2010, the average residential electricity bill for the typical Ontario resident increased from \$104.00 to \$151.00. With the implementation of Ontario's Fair Hydro Plan, electricity bills are expected to decrease by 25%.	Strategic alignment to ministry mandate commitments and significant stakeholder interest	The measure will track progress on a key government commitment. There may be opportunities to augment the KPI with additional information to monitor risks and related policies/programs more proactively (e.g., patterns by region, type of consumer, external factors affecting electricity costs).	Technically sound measure using data from the Independent Electricity System Operator (IESO) and internal Ministry of Energy source.	Overall a strategically important measure that is tied directly to a mandate commitment. The ministry is encouraged to continue reporting on this measure, and consider segmenting by region to better understand impacts to rural and remote communities and vulnerable customers.

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Key Performance Indicator (KPI)	Status	Progress to Date	Strategic Alignment	Relevance for Decision Making	Technical Standards	Recommendations
Supporting the energy innovation sector and modernizing Ontario grids (number of Smart Grid Fund projects)	New Measure Current Value: 38 projects (2017)	The Smart Grid Fund (SGF) was approved in 2017, with funding for five years, is the foundation of the modernization and innovation work at this early stage.	A key focus of the Long Term Energy Plan is innovation and grid modernization. Enhanced support in this area may have horizontal linkages with other economic development opportunities. There may be opportunities to leverage performance measurement of other ministries in supporting innovative technologies and modernization to work toward a consistent approach to assessing innovation.	As a starting point, this measure highlights an emerging focus on the energy innovation sector. As policies and programs mature, more outcome-focused measures related to innovation would strengthen the evidence base for decision-making and the best allocation of resources for continuous improvement.	The KPI is intended to focus on an important outcome for the ministry. The current metric is technically sound, and further refinements would help to operationalize and document the impacts in terms of innovation and transformation of the energy sector. As the ministry expands this work, there may be benefits to developing a measurement strategy for projects to track against integrated or coordinated metrics.	Approve. Overall, this is an area of strategic importance. The proposed measure provides a starting point to focus on an emergent area of transformation in the energy sector. This KPI related to innovation and modernization of technologies demonstrates a strong commitment to transformation. Future opportunities for refinement could focus on the impact of funded projects, toward the identification of a global program measure to which all initiatives could contribute.
Net Income contributions to the Province from Hydro One and OPG (combined net income in \$B)	Revised from 2017-18 Current Value: \$0.842B (2016-17)	With 2017 as the baseline year, progress will be assessed going forward. Data provided includes forecasted projections with a current value of \$842M	The KPI is tied closely to ministry mandate commitments, and is helpful in monitoring the results of government decisions to change how provincial assets are managed.	While there may be limited ability to influence the results of this metric, monitoring the combined revenue of Hydro One and Ontario Power Generation (OPG) in relation to forecasts should provide valuable information for policy and planning. The utility of this metric may be enhanced when combined with other data, or when considering risks and benefits of future strategic asset management initiatives.	Reliable and timely data sources to allow tracking of the net income contributions.	Approve. A detailed understanding of the combined revenue of the Ministry of Energy's major strategic assets will allow tracking of the revenue forecast and monitoring of high level risks over time. Future analysis may include analysis of the timing or other external factors and how these influenced net income, to inform similar future policy considerations.

Other Supporting Schedules

Financial Summary (Detailed Version)

	\$M	O/C	17-18	18-19	19-20	20-21
Preliminary Allocation						
Operating Expense		O	2,024.4	2,015.9	2,025.6	2,102.2
Capital Expense		C	23.2	24.2	24.6	24.1
Total Preliminary Allocation			2,047.7	2,040.2	2,050.2	2,126.3
Fall Economic Statement Initiatives			-	-	-	-
Total Allocation inc'l FES				2,040.2	2,050.2	2,126.3
Ministry Submission						
Operating Expense		O		1,995.6	2,032.8	2,087.1
Capital Expense		C		25.3	26.0	24.6
Total Ministry Submission				2,020.9	2,058.7	2,111.7
Over/(Under) Preliminary Allocation				(19.3)	8.5	(14.6)
<i>Adjustments for Fiscally Neutral Items</i>						
IT Boulder - Vendor Optimization Funding Transfer		O		0.0	0.0	0.0
				0.0	0.0	0.0
<i>Adjustment for GGRA-Eligible Items</i>						
Microgrid Implementation Costs		O		(10.0)	(20.0)	(20.0)
EV Overnight Charging FTE Request		O		(0.2)	(0.2)	(0.2)
				(10.2)	(20.2)	(20.2)
Fiscal Impact of Ministry Submission				(29.5)	(11.6)	(34.8)
Recommendations						
Approve-In-Principle						
Operating Expense		O		1,952.7	1,956.6	2,003.3
Capital Expense		C		25.3	26.0	24.6
Total Approve-In-Principle				1,977.9	1,982.6	2,027.9
Over/(Under) Preliminary Allocation				(62.3)	(67.6)	(98.4)
<i>Adjustment for Fiscally Neutral Items</i>						
				-	-	-
<i>Adjustment for GGRA-Eligible Items</i>						
				-	-	-
Fiscal Impact of Recommendations				(62.3)	(67.6)	(98.4)

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		<i>% Growth</i>	<i>0.2%</i>	<i>2.3%</i>
Blue Item: Smart Grid Fund		20.0	18.0	15.0
Total Anticipated asks over allocation		20.0	18.0	15.0
Fiscal Impact excl. anticipated asks		(82.3)	(85.6)	(113.4)
Defer				
International Energy Demonstration Fund	O	1.5	3.0	4.0
Resources to administer FHP initiatives. Requesting 19 permanent FTEs starting in 2018-19 and funding	O	4.4	4.4	4.4
Defer - Operating Expense	O	5.9	7.4	8.4
Defer - Capital Expense	C	-	-	-
Total Defer		5.9	7.4	8.4
<i>Defer - Adjustment for Fiscally Neutral Items</i>				
		-	-	-
<i>Defer - Adjustment for GGRA-Eligible Items</i>				
		-	-	-
Do Not Approve				
Forecast pressures in certain Fair Hydro Plan TPs. Recommendation is to manage risk centrally, only if insufficient internal offsets found	O	26.8	48.5	55.1
Do Not Approve - Operating Expense	O	26.8	48.5	55.1
Do Not Approve - Capital Expense	C	-	-	-
Total Do Not Approve		26.8	48.5	55.1
<i>Do Not Approve - Adjustment for Fiscally Neutral Items</i>				
		-	-	-
<i>Do Not Approve - Adjustment for GGRA-Eligible Items</i>				
		-	-	-

New Initiatives Request

The Ministry has included a request in its submission for new funding. This item is not being considered as part of the PRRT process, as ministry were required (with limited exceptions) to provide submission within preliminary allocations. This item is noted here for future reference only.

- The Ministry is requesting \$10.5M over five years, which includes \$0.5M per year for administrative costs relating to third-party technical review, **for an International Energy Demonstration Fund (IEDF)**. Cabinet provided policy approval for an international energy demonstration fund as part of the Long-Term Energy Plan approval process on July 26, 2017.

2018-19	2019-20	2020-21	2021-22	2022-23	Total (\$M)
1.5	3.0	4.0	1.0	1.0	10.5

Ministry Programs

Appendix 1

	Budget 2018-19	Budget 2019-20	Budget 2020-21
Ministry of Energy			
Electricity and Natural Gas Sector Regulation	46.3657	46.5492	47.2274
Strategic Asset Management	35.0000		
Electricity Market Operations & System Planning	227.1425	221.5830	221.5830
Energy Policy Development and Implementation	21.5692	22.1483	22.1483
Long-Term Energy Plan Program Initiatives (TP)	3.4474	3.4474	3.4474
Ministry Admin (Communication Services Branch)	4.1036	4.1036	4.1036
Ministry Admin (Corporate Services Division)	5.2022	5.2022	5.2022
Ministry Admin (Legal Services Branch)	3.2549	3.2549	3.2549
Ministry Admin (MO, DMO)	2.5689	2.5689	2.5689
Northern Ontario Energy Credit Program (TP)	26.0000	26.0000	26.0000
TBD	0.0000	0.0000	0.0000
Ontario Rebate for Electricity Consumers Program (TP)	860.0000	861.0000	871.0000
Rate Mitigation	721.6423	768.0000	805.0000
Innovative Energy Technologies	20.0000	18.0000	15.0000
Climate Change Action Plan, Greenhouse Gas	1.6259	0.7168	1.3668
TOTAL	1,977.9226	1,982.5743	2,027.9025

	2018-19	2019-20	2020-21
Ministry of Energy			
Operating Expense			
External Program			
Climate Change Action Plan, Greenhouse Gas Reduction Account initiatives			
Inter/Intra Ministry Transfers			
D0056077 - ENERGY: Realignment of Base Operating Expenses	2.1800	1.8500	2.5000
PRRT			
D0055579 - ENERGY: Internal Functions - Realignment - Internal Offset	(0.5541)	(1.1332)	(1.1332)
Recommended Program Allocation	1.6259	0.7168	1.3668
Annual % Growth		-55.91%	90.68%
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)			
Base			
D0047667 - Base - Operating Expense - \$	44.7040	44.7040	44.7040
PRRT			
D0055520 - ENERGY: Consolidation Adjustment - Ontario Energy Board	(0.9757)	(1.0386)	1.0134
Recommended Program Allocation	43.7283	43.6654	45.7174
Annual % Growth		-0.14%	4.70%
Electricity Market Operations & System Planning (Delivered by the IESO)			
Base			
D0047667 - Base - Operating Expense - \$	200.0070	202.4266	202.4266
PRRT			
D0055310 - ENERGY: Consolidation Adjustment - Independent Electricity System	4.5114	(3.9404)	(3.9404)
Recommended Program Allocation	204.5184	198.4862	198.4862
Annual % Growth		-2.95%	0.00%
Innovative Energy Technologies			
PRRT			
D0055339 - Energy: Smart Grid Fund - New Program Funding Request	20.0000	18.0000	15.0000
Recommended Program Allocation	20.0000	18.0000	15.0000
Annual % Growth		-10.00%	-16.67%
Long-Term Energy Plan Program Initiatives (TP)			
Base			
D0047667 - Base - Operating Expense - \$	756.4474	832.4474	895.4474
D0048234 - Rollover D0042201: ENE GGRA Request: EV Overnight Charging Rebate	0.0000	0.0000	0.0000
In Year Q2 and pre-Envelope			
D0050735 - MCSS/ENE: Increasing Social Assistance Enrolment into the Ontario	(1.5577)		
Inter/Intra Ministry Transfers			
D0056077 - ENERGY: Realignment of Base Operating Expenses	(753.0000)	(829.0000)	(892.0000)
D0056090 - ENERGY: Realignment of OESP Social Assistance Enrolment (In-Year	1.5577		
Recommended Program Allocation	3.4474	3.4474	3.4474
Annual % Growth		0.00%	0.00%
Northern Ontario Energy Credit Program (TP)			
Base			
D0047667 - Base - Operating Expense - \$	26.0000	26.0000	26.0000
Recommended Program Allocation	26.0000	26.0000	26.0000
Annual % Growth		0.00%	0.00%
Ontario Rebate for Electricity Consumers Program (TP)			
Base			
D0047667 - Base - Operating Expense - \$	882.0000	882.0000	895.0000
PRRT			
D0055336 - ENERGY: Ontario Rebate for Electricity Consumers - Revised Forecast			(5.0000)
D0055671 - ENERGY: Internal Savings - Offset for 19 Permanent FTE Request	(2.0000)		
D0055700 - Energy: International Energy Demonstration Fund - Internal Offset		(3.0000)	(4.0000)
D0055705 - Energy: Internal Savings - Offset for Smart Grid Fund New Program	(20.0000)	(18.0000)	(15.0000)
Recommended Program Allocation	860.0000	861.0000	871.0000

Annual % Growth		0.12%	1.16%
Rate Mitigation			
Inter/Intra Ministry Transfers			
D0056077 - ENERGY: Realignment of Base Operating Expenses	753.0000	829.0000	892.0000
D0056090 - ENERGY: Realignment of OESP Social Assistance Enrolment (In-Year PRRT	(1.5577)		
D0055329 - ENERGY: Rate Mitigation Programs Update - Revised Forecast for the	(0.5534)	(8.0534)	(27.4534)
D0055671 - ENERGY: Internal Savings - Offset for 19 Permanent FTE Request	(2.4466)	(4.4466)	(4.4466)
D0055794 - ENERGY: Rate Mitigation - Internal Savings - Offset for RRRP and FNDCC	(26.8000)	(48.5000)	(55.1000)
Recommended Program Allocation	721.6423	768.0000	805.0000
Annual % Growth		6.42%	4.82%
Strategic Asset Management			
Base			
D0047667 - Base - Operating Expense - \$	70.0000		
PRRT			
D0055356 - ENERGY: Strategic Asset Management - Indigenous Engagement	30.0000		
D0055624 - Energy: Strategic Asset Management - Ministry Internal Savings	(33.5000)		
D0055700 - Energy: International Energy Demonstration Fund - Internal Offset	(1.5000)		
D0055711 - Energy: Strategic Asset Management - Indigenous Engagement - Internal	(30.0000)		
Recommended Program Allocation	35.0000		
Annual % Growth			
TBD			
Base			
D0047667 - Base - Operating Expense - \$	2.1800	1.8500	2.5000
Inter/Intra Ministry Transfers			
D0056077 - ENERGY: Realignment of Base Operating Expenses	(2.1800)	(1.8500)	(2.5000)
Recommended Program Allocation	0.0000	0.0000	0.0000
Annual % Growth			
Internal Function			
Energy Policy Development and Implementation			
Base			
D0047667 - Base - Operating Expense - \$	20.3581	21.0131	21.0131
D0047769 - Rollover D0034890: Rollover D0028702: ENERGY - 5 new FTEs for the	0.6550		
PRRT			
D0055354 - ENERGY: Internal Functions - Realignment - Internal Offset	0.5541	1.1332	1.1332
Recommended Program Allocation	21.5672	22.1463	22.1463
Annual % Growth		2.69%	0.00%
Ministry Admin (Communication Services Branch)			
Base			
D0047667 - Base - Operating Expense - \$	4.1036	4.1036	4.1036
PRRT			
D0055354 - ENERGY: Internal Functions - Realignment - Internal Offset	0.1119	0.2288	0.2288
D0055579 - ENERGY: Internal Functions - Realignment - Internal Offset	(0.1119)	(0.2288)	(0.2288)
Recommended Program Allocation	4.1036	4.1036	4.1036
Annual % Growth		0.00%	0.00%
Ministry Admin (Corporate Services Division)			
Base			
D0047667 - Base - Operating Expense - \$	5.2118	5.2118	5.2118
Inter/Intra Ministry Transfers			
D0054059 - [R 2018][IR] Clients to GSIC Transfer of IT Rationalization - Vendor	(0.0096)	(0.0096)	(0.0096)
PRRT			
D0055354 - ENERGY: Internal Functions - Realignment - Internal Offset	0.1199	0.2452	0.2452
D0055579 - ENERGY: Internal Functions - Realignment - Internal Offset	(0.1199)	(0.2452)	(0.2452)
Recommended Program Allocation	5.2022	5.2022	5.2022
Annual % Growth		0.00%	0.00%

Program Changes

Appendix 2

Ministry Admin (Legal Services Branch)			
Base			
D0047667 - Base - Operating Expense - \$	3.2549	3.2549	3.2549
Recommended Program Allocation	3.2549	3.2549	3.2549
Annual % Growth		0.00%	0.00%
Ministry Admin (MO, DMO)			
Base			
D0047667 - Base - Operating Expense - \$	2.5689	2.5689	2.5689
PRRT			
D0055354 - ENERGY: Internal Functions - Realignment - Internal Offset	0.0771	0.1577	0.1577
D0055579 - ENERGY: Internal Functions - Realignment - Internal Offset	(0.0771)	(0.1577)	(0.1577)
Recommended Program Allocation	2.5689	2.5689	2.5689
Annual % Growth		0.00%	0.00%

	2018-19	2019-20	2020-21
Ministry of Energy			
Operating Assets			
External Program			
TBD			
PRRT			
D0055353 - Energy: OPG Share Purchase - Operating Asset	1,100.0000		
Recommended Program Allocation	1,100.0000		
Annual % Growth			

Program Changes

Appendix 2

Planning Cycle: 2018-19 Planning Cycle
Phases PRRT Based Outlook
My Number: Approved | Tracking
Amount Type: CURRENT BUCKET
Scope: External Program | Internal Function

Ministry of Energy

Capital Expense

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
External Program										
Electricity and Natural Gas Sector Regulation (Delivered by the OEB)										
Base										
D0047677 - Base - Capital Expense - \$	1.3215	1.2861	0.7625	0.7625	0.7625	0.7625	0.7625	0.7625	0.7625	0.7625
PRRT										
D0055520 - ENERGY: Consolidation Adjustment - Ontario Energy Board	1.3159	1.5977	0.7475	0.5742	0.5742	0.5742	0.5742	0.5742	0.5742	0.5742
Recommended Program Allocation	2.6374	2.8838	1.5100	1.3367	1.3367	1.3367	1.3367	1.3367	1.3367	1.3367
Annual % Growth		9.34%	-47.64%	-11.48%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electricity Market Operations & System Planning (Delivered by the IESO)										
Base										
D0047677 - Base - Capital Expense - \$	22.9235	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268	23.3268
PRRT										
D0055310 - ENERGY: Consolidation Adjustment - Independent Electricity System Operator	(0.2994)	(0.2300)	(0.2300)	(0.2300)	(0.2300)	(0.2300)	(0.2300)	21.4552	19.5682	17.3592
Recommended Program Allocation	22.6241	23.0968	23.0968	23.0968	23.0968	23.0968	23.0968	44.7820	42.8950	40.6860
Annual % Growth		2.09%	0.00%	0.00%	0.00%	0.00%	0.00%	93.89%	-4.21%	-5.15%
Internal Function										
Energy Policy Development and Implementation										
Base										
D0047677 - Base - Capital Expense - \$	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
Recommended Program Allocation	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
Annual % Growth		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Program Changes

Appendix 2

Ministry of Energy

Capital Assets

External Program

Electricity and Natural Gas Sector Regulation (Delivered by the OEB)

Base

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
D0047682 - Base - Capital Assets - \$	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230	0.4230

PRRT

D0055520 - ENERGY: Consolidation Adjustment - Ontario Energy Board	0.9270	0.8270	0.8270	0.8270	0.8270	0.8270	0.8270	0.8270	0.8270	0.8270

Recommended Program Allocation

	1.3500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500

Annual % Growth

		-7.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Electricity Market Operations & System Planning (Delivered by the IESO)

Base

D0047682 - Base - Capital Assets - \$	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000	23.0000

PRRT

D0055310 - ENERGY: Consolidation Adjustment - Independent Electricity System Operator	27.8233	39.1863	42.5500	31.5000	20.7500	10.7250	7.4250			

Recommended Program Allocation

	50.8233	62.1863	65.5500	54.5000	43.7500	33.7250	30.4250	23.0000	23.0000	23.0000

Annual % Growth

		22.36%	5.41%	-16.86%	-19.72%	-22.91%	-9.79%	-24.40%	0.00%	0.00%

Internal Function

Energy Policy Development and Implementation

Base

D0047682 - Base - Capital Assets - \$	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010

Recommended Program Allocation

	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010

Annual % Growth

		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

FTE Impact Summary

Appendix 3

2018-19 Program Review, Renewal and Transformation

Ministry of Energy

Description	2018-19	2019-20	2020-21
Preliminary FTE Caps and In Year Approvals			
Preliminary FTE Caps	204.6100	204.6100	204.6100
FTE CAPS	204.6100	204.6100	204.6100
Other Decisions			
D0055184 - [2018] MOE to MAG: Transfer of Temporary FTE	(1.0000)		
D0056451 - [R 2018] MOE to MCGS Transfer of Temporary FTE for EWRB Project	(1.0000)		
TOTAL	(2.0000)		
TOTAL PRRT Impact	(2.0000)		
Revised Multi-Year FTE Caps	202.6100	204.6100	204.6100

Capital Plan Summary

Appendix 4

	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27	Budget 2027-28
Energy										
NET CAPITAL EXPENSE	25.2635	25.9826	24.6088	24.4355	24.4355	24.4355	24.4355	46.1207	44.2337	42.0247
VOTED CAPITAL EXPENSE	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
STATUTORY APPROPRIATION	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
CONSOLIDATION AND OTHER ADJUSTMENTS	25.2615	25.9806	24.6068	24.4335	24.4335	24.4335	24.4335	46.1187	44.2317	42.0227
CONSOLIDATED AMORTIZATION	25.2615	25.9806	24.6068	24.4335	24.4335	24.4335	24.4335	46.1187	44.2317	42.0227
CAPITAL ASSET	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
CONSOLIDATED ACQUISITIONS	52.1733	63.4363	66.8000	55.7500	45.0000	34.9750	31.6750	24.2500	24.2500	24.2500
CAPITAL THROUGH OPERATING	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
OTHER PARTNER	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
GROSS INFRASTRUCTURE	52.1753	63.4383	66.8020	55.7520	45.0020	34.9770	31.6770	24.2520	24.2520	24.2520

EY - FHP Transmittal Letter - 2018-07-31 FINAL.pdf

July 31, 2018

Treasury Board Secretariat
Office of the Provincial Controller Division
Frost Building South, 2nd Floor
7 Queen's Park Crescent
Toronto, ON M7A 1Y7

Attention: Cindy Veinot, Provincial Controller and Assistant Deputy Minister

Dear Cindy,

We are issuing this letter in connection with our engagement to provide Management Consulting Services on an "as-requested" basis to the Office of the Provincial Controller Division ("OPCD") in accordance with the Statement of Work with the Treasury Board Secretariat dated October 31, 2016 ("SOW") under the Master Agreement dated June 16, 2014. As provided for in the SOW, the original term of the engagement was extended from February 10, 2018 to August 10, 2018 at the option of the OPCD.

This letter relates specifically to the request we received under this engagement to assist the OPCD in preparing its accounting memo related to the Ontario Fair Hydro Plan ("FHP") in the Public Accounts of Ontario for its year ended March 31, 2018. Given the significance of the level of effort for this work in relation to other matters we assisted with under the SOW and your request for a letter clarifying our role with respect to this memo, we are issuing this letter in accordance with EY policy to formally document the conclusion of our work related to this particular component of the engagement. After the engagement term ends on August 10, 2018 (or other date if the term is further extended), we will issue a separate letter relating to the work we performed for all other requests under this engagement.

Results of our work

We did not provide any EY branded reports to the OPCD. Based on the work we performed as outlined below under "Scope of our work", we provided the OPCD an initial draft of a position paper on the accounting for the FHP in the Public Accounts of Ontario and we provided verbal and written comments on subsequent drafts of the position paper provided to us by the OPCD, including the identification of supporting and contrary accounting views related to various matters contained in the draft position papers (the initial draft and comments on subsequent drafts are collectively referred to as the "Reports"). The OPCD reviewed the Reports for completeness, accuracy and reasonableness and used them in the preparation of the OPCD's final position paper that was shared with the Auditor General of Ontario ("AG") by the OPCD on June 20, 2018 (a copy of which was provided to us on July 24, 2018). Decisions regarding the application of accounting policies related to the FHP in the Public Accounts of Ontario were made solely by the OPCD.

Scope of our work

Our work was performed under the direction of Cindy Veinot, Provincial Controller and Assistant Deputy Minister. In connection with our engagement, and for the purpose of obtaining the information we deemed necessary to complete the Reports, we (i) reviewed relevant documents provided or identified by the OPCD (e.g., draft legislation, accounting position papers, communications from the AG, audited financial statements and annual reports, etc.), (ii) researched relevant accounting literature, and (iii) held discussions with and made inquiries of OPCD personnel, as well as individuals employed elsewhere as requested by the OPCD (i.e. the IESO, the IESO's external auditors, OPG's external auditors). We have not sought to confirm the accuracy of the data or the information and explanations provided by the OPCD or other individuals.

The work we performed was advisory in nature and does not constitute an audit, review, examination, or other form of attestation or assurance, as those terms are defined by Chartered Professional Accountants of Canada ("CPA Canada"). Accordingly, we express no opinion or any other form of assurance on the historical or prospective financial statements, management representations or other data of the Province of Ontario included in or underlying the accompanying information. While we believe the information obtained is substantially responsive to your request, we are not in a position to assess its sufficiency for your purposes. In addition, we have no responsibility to update the Reports for events or circumstances occurring after the date of the Reports.

Our work has been limited in scope and time, and more detailed procedures may reveal issues that this engagement has not.

Restrictions on the use of the Reports

The Reports are intended solely for the information and use of the OPCD, and are not intended to be and should not be used by anyone other than this specified party. EY therefore assumes no responsibility to any user of the Reports other than the OPCD. Any other persons who choose to rely on our Reports does so entirely at their own risk.

We remind you of the following disclaimer language included in the written versions of our Reports:

Ernst & Young LLP ("EY") prepared the attached Report only for the OPCD. EY did not perform its services on behalf of, or to serve the needs of, any other person or entity. Accordingly, EY expressly disclaims any duties or obligations to any other person or entity based its use of the attached Report. Any other person or entity must perform its own due diligence inquiries and procedures for all purposes, including, but not limited to, satisfying itself as to the financial condition and control environment of the Province or any of the other entities involved, as well as the appropriateness of the accounting for any particular situation addressed by the Report.

EY did not perform an audit, review, examination or other form of attestation (as those terms are defined by the CPA Canada) of the financial statements of the Province or any other entities involved. Accordingly, EY did not express any form of assurance on the accounting matters, financial statements, any financial or other information or internal controls of the Province or any of the other entities involved. EY did not conclude on the appropriate accounting treatment based on specific facts or recommend which accounting policy/treatment the Province or any of the other entities involved should select or adopt.

The observations relating to accounting matters that EY provided to the OPCD were designed to assist them in reaching their own conclusions and do not constitute our concurrence with or support of the accounting or reporting of the Province or the other entities involved. The Province and the other entities involved are each responsible for the preparation of their own financial statements, including all of the judgments inherent in preparing them.

We appreciate the cooperation and assistance provided to us during the course of our work. If you have any questions, please call Suzie Gignac (613-598-4376) or Blake Langill (416-943-3556).

Very truly yours,



Chartered Professional Accountants
Licensed Public Accountants

Suzie Gignac, CPA, CA
Partner

Position Paper - FHP (2018)_Final.docx

Office of the Provincial Controller Division
Ontario Fair Hydro Plan Position Paper
June 20, 2018

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Executive Summary

Introduction

This paper analyzes the accounting in the government's consolidated financial statements of the Ontario Fair Hydro Plan Act ("FHP Act"), including the legal structures created to operationalize the legislative requirements under the FHP Act, and the contractual agreements entered into by the Province and various entities that form part of the government reporting entity. Addressed is the accounting for the Independent Electricity System Operator (IESO), Ontario Power Generation Trust (OPG Trust) and the Province. The basis of this analysis are the standards for governments in Canada issued by the Public Sector Accounting Board (PSAB). The FHP Act does not create accounting rules or legislate accounting. The act of legislating the tracking and recovery of the FHP variance account does not, in and of itself, result in its recognition as an asset for accounting purposes.

Considerations

In evaluating the accounting for transactions under the FHP Act, focus has been placed on the reporting of the regulatory asset as described under Section 25 of the FHP Act (which is a component of the GA refinancing aspect of the Fair Hydro Plan). Other aspects of the Fair Hydro Plan (FHP) relating to the transfer of support for electricity consumers through the Ontario Energy Support Program and the provincial portion of the HST to the taxpayer are guided appropriately by the primary sources of GAAP. In assessing the appropriate accounting treatment for the GA refinancing component of the FHP on Ontario's consolidated financial statements, the Office of the Provincial Controller considered the authoritative guidance issued by PSAB and other frameworks where Public Sector Accounting Standards (PSAS) are silent, as well as the accounting assessments of the IESO and Ontario Power Generation (OPG) management and their external auditors and/or advisors. The analysis required the use of professional judgement to ensure that the substance of the transaction and the repayment obligations of the ratepayers are clear and transparent to readers.

Conclusions

IESO

1. The temporary shortfall resulting from the FHP (referred to as the "variance account") meets the requirements to be accounted for as an asset under PSAS. The variance account was reviewed to ensure its consistency with the concept of assets as described in ASSETS, Section PS 3210 and FINANCIAL STATEMENT CONCEPTS, Section PS 1000, paragraph .36. The FHP variance account meets the requirements to be accounted for as an asset under PSAS based on the following:

(a) Future economic benefit – Future recovery from ratepayers

As noted in Sec 25 of the FHP Act, the IESO holds the sole right to collect the variance account from ratepayers under statute. It is expected that IESO will realize future economic benefits through future cash inflows collected from ratepayers. In addition, the IESO has the right to sell the right to collect amounts from the ratepayer in exchange for current cash inflows.

(b) Controlling the Resource

The FHP Act provides for the IESO to realize the asset 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.

Control over future economic resources is by way of collection from ratepayers or sale and transfer to a financing entity with all associated risks extinguished or transferred at the time of sale.

(c) 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.

ASSETS, Section PS 3210 paragraph .26 supports that the point of exchange at which risk transfers gives rise to an asset. 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 as supported by PS 3210 paragraph .32.

2. The application of the GAAP hierarchy under PS1150 supports use of rate-regulated accounting.

PSAS is silent on the use of rate-regulated accounting; the standards neither explicitly permit nor prohibit its recognition, measurement, presentation or disclosures. PSAS, Section PS 1150.19 provides examples (not an exhaustive list) of other sources of GAAP to be considered, while PS 1150.20 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) has been completed to ensure proper application of the GAAP hierarchy. It was determined ASC 980 under US GAAP is consistent with the concepts of assets as described in ASSETS, Section PS 3210 and FINANCIAL STATEMENT CONCEPTS, Section PS 1000.36.

The application of rate-regulated accounting was assessed as being compliant with the following requirements under US GAAP:

a. The operations of the IESO are within the scope of ASC 980 based on the criteria in ASC 980-10-15-2

IESO’s operations are within the scope of ASC 980 as 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.

b. The FHP variance account meets the criteria in ASC 980-340-25-1 for capitalization as a regulatory asset

The FHP ACT and its regulations (the “Act”) entitle the IESO to recover the amounts that have been deferred, including interest and carrying costs. The rate per unit of electricity that is collected from the specified ratepayers will be determined based on the amount of electricity consumed in the future, not whether electricity is consumed in the future – the 2017 Long-term Energy Plan predicts that the demand for energy will be fairly steady over the planning period (to 2035). The IESO is also able to sell the regulatory asset.

c. And, the OEB need not be considered to be independent from the Province in order to meet the scope requirements of ASC 980 and/or the characteristics of an asset in PSAS 1000.36

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 to the electricity market nor the determination of the IESO as a rate-regulated entity. Under US GAAP, the requirement is not solely an independent, third-party regulator, but can also be its own governing board empowered by statute or contract. This application is consistent with that used for Hydro One and Ontario Power Generation. Those entities are both controlled by the Province and also use rate-regulated accounting in the preparation of their financial statements. The change in the balances of rate-regulated assets (which exceeded \$10 billion at March 31, 2017) has a direct impact on the surplus or deficit of the province. With respect to Ontario Power Generation, the impact of a change in rate-regulated assets is dollar for dollar. With respect to Hydro One, the impact to the province is based on the percentage of Hydro One owned.

OPG Trust

1. The Provincial guarantee is not a form of continuing involvement in the regulatory asset that would preclude sale treatment when transferred to OPG Trust.

Unless the occurrence of a Protection Event is considered likely, liability recognition on the books of the province is not required and the existence of the guarantee would not preclude sale treatment when the regulatory asset is transferred from IESO to OPG Trust. The likelihood of a Protection Event will need to be continually assessed to determine if the recognition criteria is subsequently met.

2. The OPG Trust is not controlled directly by IESO or the Province (as opposed to being controlled indirectly by the Province through OPG) requiring it to be consolidated on a line-by-line basis in the consolidated financial statements.

PSAS 1300.18 identifies certain indicators that provide more persuasive evidence of control. By way of examination of the key agreements, namely the Management Agreement and the Declaration of Trust, as well as the FHP Act, it is apparent that the Province does not control the Trust:

- The Issuer Trustee, who is appointed by OPG as the majority Unitholder, is the governing body of the Trust. In turn, the Issuer Trustee has appointed and delegated to OPG the responsibilities

as Manager which gives OPG the ability to direct the activities of the Trust. The Province, in this regard, has no ownership units (i.e. “golden share”) and thus has no direct ability to affect the Issuer Trustee, nor has the Province any direct role in the management of the Trust.

- The assets of the Trust are not available for use, nor is the responsibility for losses borne directly by the Province. With the purchase of the regulatory asset from the IESO, the Trust becomes the sole owner of the Trust assets. Only in the case of a protection event which would trigger the guarantee does the Province assume any responsibility for losses.
- The wind-up of the Trust is subject to the unanimous approval of the Unitholders, of which OPG is the majority Unitholder and the Province does not hold any units. Thus, the wind-up of the Trust would appear to be beyond the direct control of the Province.

3. The IESO is permitted to sell the regulatory asset to OPG Trust.

The sale of the regulatory asset to OPG Trust is permitted under Section 26 of the FHP Act. Subsequent to the transfer to OPG Trust, the regulatory asset no longer possesses the three essential characteristics of an asset in PS 1000.36 to IESO as IESO no longer retains further rights, title or interest in the regulatory asset transferred to OPG trust. There are, therefore, no remaining future economic benefits to the IESO.

Accounting by the Province

1. The accounting of IESO and OPG Trust reflected in the financial statements of the Province is in accordance with PSAS.

IESO is classified under PSAS as an OGO and therefore included in the financial statements of the Province by line-by-line consolidation. Therefore, assets (for example, the variance account), liabilities, revenues and expenses of IESO are included in the financial statements of the Province.

OPG Trust is controlled by OPG. OPG is classified under PSAS as a GBE and therefore included in the financial statements of the Province using the modified equity basis. While, OPG consolidates OPG Trust on a line-by-line basis, the Province accounts for OPG as an investment in a GBE. The Province’s net investment in OPG and earnings of OPG are included in the Province’s financial statements on a one line basis.

2. There are no elimination entries in the preparation of the consolidated financial statements of the Province that relate to the FHP, that changes the accounting of the transaction from how it is accounted for by IESO and OPG Trust. The sale of the regulatory asset from IESO to OPG Trust is at book value, therefore, there is no gain or loss to reverse.

3. The issuance of a guarantee, limited in scope to regulatory changes (e.g., a statute or regulation being enacted, changed or repealed) and changes in the organization or structure of the IESO or Ontario’s electricity market initiated by the Province that will materially and adversely affect the ability of OPG Trust to satisfy its payment obligations and that will not provide protection relating to lack of sufficient demand, is evaluated as a contingent liability. Until the guarantee is likely to be triggered and the impact reasonably estimable, the guarantee will be disclosed, but not recorded on the statement of financial position of the Province.

Substance of the Transaction

Ensuring that a transaction be accounted for based on its substance as opposed to its form is important to ensure that the financial statements are transparent. Two aspects of this transaction were considered in this assessment – (a) does the use of rate-regulated accounting report the substance of the transaction and (b) is reporting debt issued by the Trust as part of the investment in government business enterprises (as opposed to recording it with debt issued by the province) appropriate.

Rate-regulated accounting – aside from the technical accounting arguments summarized above and further supported in this paper, the use of rate-regulated accounting reflects the policy decision made by the government to isolate the cost of the GA refinancing to the ratepayers. The amount of the shortfall is not borne by the taxpayers of the province. Reflecting the shortfall as an expense in the financial statements of the Province communicates that the province has made the decision to pay for this reduction in electricity pricing with tax revenue. However, that is not the substance of the transaction. The shortfall will be collected from ratepayers in the future. The ability for the Trust to issue debt in the public market based on a future revenue stream from ratepayers, with a limited guarantee from the Province that is tied to changing the legislation or the electricity market, supports the assertion that the future cash inflow from the taxpayers is substantive.

Recording of debt

The debt issued to finance the GA refinancing is recorded based on the issuer of the debt. The debt issued by the Trust and by OPG is recorded as debt in the financial statements of the Trust and the consolidated financial statements of OPG. The net asset position of OPG is recorded by the Province as an investment in government business enterprises, in accordance with PSAS. This debt is added to the \$16 billion debt (as of March 31, 2017) recorded directly on the financial statements of the government business enterprises (GBEs), which includes debt borrowed from a third party, as opposed to the province. PSAS specifically addresses recording of debt by GBEs and states in Section 1300:

32. Accounting for a government business enterprise by the equity method avoids commingling the independently-managed business enterprise's budget and actual results with those of other government organizations on a line-by-line basis. It also avoids including the business enterprise's gross debt with that of other government organizations as the business enterprise is expected to repay that debt from its own revenues.

As highlighted above, the debt of the government business enterprise (OPG, which consolidates the Fair Hydro Trust) is not comingled with the debt of the other government organizations as the debt of the government business enterprise is not expected to be repaid with general revenue of the government.

This rationale is consistent with the expected outcome of the debt issued by the Fair Hydro Trust. That debt will be repaid by amounts collected from the electricity ratepayers, and is not expected to be repaid with general revenue of the government.

Description

Ontario's consolidated financial reports are prepared in accordance with the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada). In order to meet the needs of users, including the legislature and the public, for accountability in government reporting and for decision making, it is essential that public sector financial statements reflect the economic substance of the government's activities.

In March 2017, the Government of Ontario (the Province) announced its Fair Hydro Plan (FHP). The FHP reduces electricity bills for Regulated Price Plan (RPP) customers (as well as those non-RPP consumers who receive the 8% rebate as specified in the Ontario Rebate for Electricity Act, 2016) by approximately 25%¹ for a period of one year, starting in the summer of 2017, and limits the increase in electricity bills to the rate of inflation over the next four years.

The measures that make up the 25% average reduction include:

1. Spreading the cost of Ontario's clean energy investments over the expected lifecycle of the generation infrastructure assets, referred to as the Global Adjustment refinancing (GA Refinancing). This is expected to account for approximately 16% 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) 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.

While the first measure (the GA refinancing) represents a temporary reduction in the amount paid by the ratepayer by shifting payments to a later point in time, the second and third measures represent permanent reductions in the cost to the ratepayer, but at the cost of the taxpayer. These amounts are reflected in the Province's consolidated financial statements as expenses as incurred. The accounting for these items is not complex and not the subject of further analysis in this memo.

Under the FHP, ratepayers continue to be obligated under legislation to pay for the cost of Ontario's clean energy investments. However, the FHP permits the ratepayers settle their obligation over a period of time which more aligns with the productive life of generating assets, as opposed to the term of the generator contracts which are shorter in duration.

As a result of this timing difference, there is a need to temporarily fund a portion of current clean energy investment costs. The timing difference, or the deferred amounts, including interest and other costs,

¹ Because distribution rates vary across the province and customers use different amounts of electricity, the goal in calculating the new RPP electricity prices was to achieve a 25% reduction for a "proxy" customer, which is established under the Fair Hydro Act, 2017 and related regulations (FHP Act) as a residential customer of Toronto Hydro who uses 750 kWh of electricity a month, pays time-of-use RPP electricity prices and has the time-of-use consumption profile of a typical residential customer. From this analysis, an adjustment for non-RPP consumers to achieve similar savings was also established.

are legislated under the FHP to be recovered from ratepayers through future rates over a future period, ending in 30 years (2047).

Objective

The primary objective of this memo is to assess the appropriate accounting for the GA refinancing component of the FHP (i.e. deferred recovery of clean energy costs) on the consolidated financial statements of the Province in accordance with PSAS. The memo considers the objectives with respect to the IESO, OPG Trust and subsequently the Province on consolidation. The memo will address the following questions:

IESO

1. Does the temporary shortfall resulting from the FHP (referred to as the “variance account”) meet the requirements to be accounted for as an asset under PSAS?
2. Does the application of the GAAP hierarchy under PS1150 permit use of rate-regulated accounting?
If so,
 - a) Are the operations of the IESO (or the relevant portion thereof) within the scope of ASC 980 based on the criteria in ASC 980-10-15-2?
 - b) Does the FHP variance account meet the criteria in ASC 980-340-25-1 for capitalization as a regulatory asset?
 - c) Does the OEB need to be considered independent from the Province in order to meet the scope requirements of ASC 980 and/or the characteristics of an asset in PSAS 1000.36?

OPG Trust

1. Does the Provincial guarantee represent a form of continuing involvement in the regulatory asset that would preclude sale treatment when transferred to OPG Trust?
2. Is OPG Trust controlled directly by Ontario Power Generation (OPG) or the Province (requiring it to be consolidated on a line-by-line basis in the consolidated financial statements)?
3. Is IESO permitted to sell the regulatory asset to OPG Trust?

Province

1. How is the accounting of IESO and OPG Trust reflected in the financial statements of the Province?

The Auditor General of Ontario raised certain matters in relation to the Province’s planned accounting for the Fair Hydro Plan. The matters raised by the OAG in *The Fair Hydro Plan: Concerns About Fiscal Accountability and Value for Money Special Report* dated October 2017 related to the accounting for the FHP have been addressed in this memo.

The Auditor General of Ontario subsequently raised the same concern in the review report issued on Ontario’s 2018 Pre-Election Report dated April 2018. There were no new issues raised in that report.

Background

Pre-Fair Hydro Plan

Prior to consideration of the Ontario Fair Hydro Plan Act (FHP Act), in accordance with Section 78(3.1) of the Ontario Energy Board Act, 1998 (the OEB Act), the Ontario Energy Board (OEB) has historically been responsible for determining the rate for RPP consumers. The OEB was established by the Province to be Ontario's energy regulator. The OEB's mandate and authority come from the Ontario Energy Board Act, 1998, the Electricity Act, 1998, and a number of other provincial statutes. The OEB has regulatory oversight of electricity matters in Ontario and the market IESO operates are subject to regulations by the OEB. As part of the rate setting process, Section 78(3.3) of the OEB Act requires the OEB to forecast the cost of electricity (commodity charge) used by RPP consumers. Since the rate setting process is highly complex and involves numerous forecasts and estimates, the OEB regulatory framework allows for variances between the actual commodity charge of supplying electricity and the amount collected from RPP consumers.

In setting the rates for RPP consumers, Section 78(3.3) of the OEB Act requires the OEB to settle any such variances through rates over a 12-month period. This is achieved through a price adjustment charged or credited when setting the next RPP rate to be paid by RPP consumers.

The IESO is the administrator of Ontario's wholesale electricity market. The IESO settles the market with all participants as an agent, whereas it recognizes the market accounts of electricity contracts on its balance sheet but reports revenue on a net basis (see Appendix C). As part of its role as market administrator, the IESO oversees the market price for electricity (the Market Clearing Price, or MCP) by running the bids and offers of the market participants through an algorithm.

From a government policy perspective, decisions as to what is in the best interest of the public regarding electricity generation in Ontario are not based solely on economics, they are also influenced by environmental, social and political factors. In some circumstances, generators may receive compensation for investing in clean energy infrastructure. As a result, the total commodity cost of electricity will include these additional amounts payable to certain generators relating to the cost of clean energy initiatives they have undertaken. In these instances, the IESO (and previously the Ontario Power Authority) entered into contracts to pay the generators their costs (plus a reasonable rate of return thereon) over an extended period of time, typically 20 years. The amounts paid to the generators under the terms of these contracts that are in excess of the MCP are currently included in the RPP rates set by the OEB (as part of the commodity charges) with the intention they will be recovered from RPP consumers within twelve months.

Under existing legislation, the IESO is permitted to fund any cash shortfall relating to differences arising between the actual commodity cost and the amount collected from RPP consumers. In accordance with Section 25.33(5) of the Electricity Act, 1998 (the Electricity Act), the IESO has established and maintains a variance account to track these temporary differences (the original variance account) for subsequent

RPP rate setting by the OEB. Cash shortfalls in the IESO arising from the original variance account are funded through financing provided by the OFA.

Changes under the Fair Hydro Plan

Under the FHP, while generators would continue to be paid over a twenty year period as contracted, the total commodity cost of electricity to RPP consumers, as well as non-RPP consumers (together referred to as “specified consumers”) who receive the 8% rebate as specified in the Ontario Rebate for Electricity Act, 2016, will no longer be fully collected over a 12-month period. Rather, these amounts paid by the IESO to the generators will continue to be recovered from specified consumers but over a longer period that more aligns with the expected generating lifecycle of the assets. Deferring the recovery of these costs from the consumers on a longer-term basis will create a significant interim cash shortfall for the IESO.

Section 24(1) of the FHP Act requires that IESO establish and maintain a variance account (separate from the original variance account described above) to track the cash shortfall specifically resulting from the implementation of the GA refinancing component of the FHP (the “FHP variance account”). This account is defined in Section 1(1) of the FHP Act as a “regulatory asset”².

The IESO is entitled under Section 25 of the FHP Act to recover the regulatory asset from specified consumers in the future, which will be achieved through the OEB setting rates to allow for such recovery. This role of the OEB is not dissimilar to its past role with respect to the setting of RPP rates to recover the commodity charge of supplying electricity, albeit the recovery was previously over a period of 12 months.

Section 26 of the FHP Act also permits the IESO to transfer the regulatory asset from time to time to a financing entity to fund its cash shortfall, thus commoditizing the future cash flow stream. The portion of the regulatory asset transferred to a financing entity is referred to as the “investment asset”.

The Province has appointed OPG to administer the investment asset. To fulfill this role as outlined in the FHP Act, OPG must establish a financing entity (OPG Trust) to purchase the IESO’s regulatory asset and eliminate any cash shortfall in the IESO. The Province (through the Ontario Financing Authority) is not the primary source of financing for electricity sector infrastructure investments. OPG Trust will be financing these purchases through a combination of provincial borrowing (flowed through OPG as an equity investment), amounts advanced from OPG and direct borrowing from capital markets. It is expected OPG Trust will purchase the regulatory assets from IESO on an on-going basis, but it is not required to do so.

² To avoid confusion in the remainder of this document, the term regulatory asset will refer to the defined term in the FHP Act and the term regulated asset or rate-regulated asset (RRA) will refer to an asset recognized for accounting purposes. For greater clarity and as discussed later in this memo, “regulatory asset” is simply a defined term in the FHP Act and does not on its own necessarily represent an asset for financial reporting purposes.

Accounting for the FHP variance account

It is important to clarify that the FHP Act does not create accounting rules or legislate accounting. The act of legislating the tracking and recovery of the FHP variance account does not, in and of itself, result in its recognition as an asset for accounting purposes. Accordingly, the primary issue at hand is whether the legislated regulatory asset is eligible for recognition as an asset in both the standalone financial statements of the IESO and the consolidated financial statements of the GRE.

Basis of Accounting

In accordance with PSAS 1300.07, the government reporting entity (GRE) for the Province comprises government components and those organizations that are controlled by the government.

As defined in the Introduction to PSAS, the following types of organizations are controlled by the government: (a) government business enterprises (GBE), (b) government non-for profit organizations (GNPO), and (c) other government organizations (OGO).

GNPOs and OGOs are considered governmental units and, in accordance with PSAS 1300.27, are consolidated in the GRE on a line-by-line basis. For consolidation purposes, the financial information of governmental units is required to be prepared in accordance with PSAS.

GBEs, on the other hand, are accounted for in the GRE using the modified equity method as prescribed by PSAS 1300.35. Under the modified equity method, which is described in detail in PSAS 3070, INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, the equity method of accounting is modified only to the extent that the GBE's accounting principles (which are required to be IFRS in accordance with paragraph 17 of the Introduction to PSAS) are not adjusted to conform to those of the government.

As documented in Schedule 8 to the consolidated financial statements of the Province, the IESO and OEB are OGOs and OPG is a GBE. The current accounting for these entities is as follows:

		ENTITY STATEMENTS	GRE STATEMENTS	
ENTITY	CLASSIFICATION	GAAP	ACCOUNTING METHOD	GAAP
IESO	OGO	PSAS ¹	Consolidation	PSAS
OEB	OGO	PSAS	Consolidation	PSAS
OPG (including OPG Trust ²)	GBE	US GAAP ³	Modified equity method	IFRS ⁴

1. For purposes of preparing general purpose financial statements, an OGO applies PSAS unless those standards do not meet the needs of its financial statement users. In that situation, other accounting frameworks should be considered and the most appropriate set of standards applied.
2. OPG has completed its assessment of OPG Trust under IFRS. As such, OPG Trust will be consolidated by OPG and, therefore, reflected in the GRE through the modified equity accounting of OPG under IFRS. See memo section on OPG Trust.
3. Although a GBE is required to apply IFRS for purposes of preparing general purpose financial statements, the Ontario Securities Commission has approved an exemption that allows OPG to apply US GAAP up to January 1, 2019 for purposes of filing its financial statements with the OSC. US GAAP to IFRS adjustments are made for the purposes of preparing the Province's consolidated financial statements.
4. OPG applies IFRS 14, which permits it to continue to account for rate-regulated activities using US GAAP guidance for purposes of determining the differences between US GAAP and IFRS.

This memo does not reconsider the classification of these existing entities (i.e., such classifications are based on past published Public Accounts).

Accounting by the IESO

The IESO is classified as an OGO and prepares its standalone, general purpose financial statements in accordance with PSAS based on an assessment of its user needs, which is consistent with the basis of presentation required for purposes of consolidating the IESO into the GRE.

The IESO is required by legislation³ to carry out its operations without the purpose of gain or profit. Other than the amounts the IESO is permitted to keep in accordance with its own rate order from the OEB to cover its internal operating costs, which makes it a self-sustaining entity, all amounts the IESO receives from market participants must be paid out to other market participants who have regulatory or contractual rights to receive payments from those collected amounts.

Effective January 1, 2016, the IESO adopted, on a retrospective basis, a new accounting policy that requires its market-settlement activities⁴ to be reflected in the financial statements. As documented by the IESO, this change to include the assets and liabilities of market participants brings consistency and comparability with other ISO entities across North America. It's also important to note that the market assets and liabilities included in the IESO's financing statements include assets and liabilities regulated by the OEB related to the RRRP, RPP, and OESP programs have been included in previous year's financial statements of the IESO. In addition, the pre-merger activities of the Ontario Power Authority also reported balances related to market settlements with power generators in its financial statements. This memo does not reconsider the conclusions reached by the IESO with respect to its change in accounting policy regarding market accounts.

Use of Rate-regulated Accounting

The IESO is legislated by the FHP Act to establish and maintain the FHP variance account to track the resulting cash flow deficit. In the FHP Act, the FHP variance account is defined to be a 'regulatory asset' but does not specify the accounting for the variance account. This variance account is similar in nature to the original variance account established under Section 25.33(5) of the Electricity Act, 1998, which is recognized as an asset in the IESO's financial statements. Reporting of market accounts is discussed further in Appendix C.

The IESO has adopted a policy to apply the U.S. GAAP guidance in ASC 980 in connection with accounting for rate regulated assets. Although the IESO's financial statements include the following accounting policy on regulated assets and liabilities, the asset relating to the original variance account has not been specifically labeled as a regulated asset:

As a rate-regulated entity, the IESO, in appropriate circumstances establishes regulated assets or liabilities and thereby defers the impact on the statement of operations of certain expenses or revenues because they are probable to be collected or refunded to market participants through

³ Part II, 6(2) of the Electricity Act states no gain or profit

⁴ The IESO administers the wholesale electricity market by authorizing market participants, publishing system forecasts and market information, producing statements and invoices, and performing financial settlement transactions for the markets.

future billings. The IESO has applied guidance from United States Generally Accepted Accounting Principles (US GAAP) Topic 980, Regulated Operations, in this policy.

The only two balances specifically labeled as being recognized in the IESO's financial statements under the above policy are (i) unrecovered smart metering expenses, and (ii) unrecovered PSAB transition items. IESO management has, however, indicated in discussions that the cash flow deficit/surplus associated with the original variance account is also considered to be a regulated asset/liability under ASC 980 even though it has been presented as part of the Market Accounts balances in the statement of financial position.

IESO management has applied the guidance in ASC 980 and concluded the regulatory asset created by the FHP can be recognized as a regulated asset for accounting purposes in the financial statements of the IESO prepared following PSAS. The IESO's auditors, KPMG, concur with this position, as evidenced from the following excerpt from a final letter issued by KPMG on February 12, 2018 (the KPMG Letter):

We have considered the foregoing analysis and management's conclusion. We concur with management that the variance account created by the FHP Act meets the criteria for the recognition of a regulatory asset stated in ASC 980-340-25-1; as noted above, IESO has adopted the provisions of ASC 980 in accounting for assets and liabilities subject to regulated operations. Furthermore, we have also considered the criteria stated in ASC 980-10-15-2 and concur with management that IESO should continue to use the guidance for regulated operations of Topic 980.

Consolidation of Other Government Organizations

When an entity reporting on a standalone basis under PSAS is consolidated into the financial statements of the GRE, the Province generally relies on the opinion of the external independent auditors and only adjusts the audited financial results of the entity in circumstances where an accounting policy applied by the entity has a material variance with the accounting policy of the Province. In the case of the IESO, KPMG has provided a clean opinion under PSAS for the IESO financial statements issued at December 31, 2016. However, since the government does not have an established accounting policy with regard to the application of rate-regulated accounting under PSAS, the Province has specifically assessed the application used by the IESO for its consistency with the primary source of GAAP and its adherence to the principles of presenting its financial statements in a transparent and accountable way to meet user needs.

Analysis - IESO

The following analysis addresses the questions below in arriving at the recommended accounting by IESO for the FHP variance account.

1. Does the temporary shortfall resulting from the FHP (referred to as the “variance account”) meet the requirements to be accounted for as an asset under PSAS?
2. Does the application of the GAAP hierarchy under PS1150 permit use of rate-regulated accounting? If so:
 - a. Are the operations of the IESO (or the relevant portion thereof) within the scope of ASC 980 based on the criteria in ASC 980-10-15-2?
 - b. Does the FHP variance account meets the criteria in ASC 980-340-25-1 for capitalization as a regulatory asset?
 - c. Does the OEB need to be considered independent from the Province in order to meet the scope requirements of ASC 980 and/or the characteristics of an asset in PSAS 1000.36?

1. Does the temporary shortfall resulting from the FHP (referred to as the “variance account”) meet the requirements to be accounted for as an asset under PSAS?

The relevant guidance in PSAS 1000 relating to the recognition of an asset is as follows:

PSAS 1000.35

Assets are economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

PSAS 1000.36

Assets have three essential characteristics:

- 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.*

PSAS 1000.37

An item is not an asset of a government if it lacks one or more of the essential characteristics listed in the preceding paragraph. Thus, for example, an item does not qualify as an asset of a government if the item involves:

- a) no future economic benefit;*
- b) future economic benefit, but the government cannot obtain it; or*
- c) future economic benefit that the government may obtain, but the events or circumstances that give the government control of the benefit have not yet occurred*

The following supports the IESO's position that the regulatory asset possesses the three essential characteristics of an asset:

- a) 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***

The following excerpts from the FHP Act make it clear that the IESO is entitled to recover the regulatory asset through rates in the future:

Variance account to be established, maintained

24 (1) The IESO shall establish and maintain a variance account in which it records the following:

- 1. The IESO deferral for each month.*
- 2. All payments received by the IESO resulting from the exercise of the right of recovery under section 25 and any transfer under section 26.*
- 3. Such other adjustments as may be prescribed, including adjustments in respect of the period that commences on or after May 1, 2017 and before the day this section comes into force.*

Recording determinative

(2) Subject to the correction of any obvious error by the IESO, its recording of the balance in the variance account is determinative of the balance as of the time of the recording.

Regulatory asset established

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.

Board to set rates

(2) Subject to subsection (3), the Board shall, from time to time and in accordance with the regulations, determine and set rates payable by specified consumers to allow for the IESO to recover the balance recorded in the variance account.

Limitation

(3) The IESO shall not be entitled to collect all or part of the balance recorded in the variance account from specified consumers before May 1, 2021.

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

While perhaps obvious, paragraph 13 of PSAS 3210, ASSETS, confirms the generation of future cash flows represents a future economic benefit:

The future economic benefits embodied in an asset may also be in the form of generating future cash inflows. Cash inflows benefit the public sector entity because cash can be used to purchase or to provide goods and services, redistribute wealth or settle liabilities. Benefits in the form of cash inflows relate to resources, such as loans receivable, inventory for resale and portfolio investments. Also, some public sector resources generate cash inflows because they have user fees associated with them.

The ability of the regulatory asset to generate future cash flows is dependent on the future consumption of electricity by ratepayers. The timing of the recovery period of 30 years of the regulatory asset has been established by statute. Given the nature and extent of customer demand for the power generated and distributed in Ontario, both at this time and projected in the future, sufficient demand is expected to exist in the future to recover the regulatory asset. This conclusion, which is supported by Figure 8:

Delivering Fairness and Choice – Ontario’s Long-Term Energy Plan 2017, (see Appendix B) will need to be continually evaluated throughout the recovery period.

The willingness of unrelated third parties to fund the purchase of the regulatory asset from the IESO by OPG Trust provides tangible, externally supported evidence that future cash flows will be realized as sufficient demand will exist to permit its future recovery. Although the sale of the regulatory asset will be accompanied by a guarantee by the Province, the scope of the guarantee will be limited to regulatory changes (e.g., a statute or regulation being enacted, changed or repealed) and changes in the organization or structure of the IESO or Ontario’s electricity market initiated by the Province that materially and adversely affect the ability of OPG Trust to satisfy its payment obligations and will not provide protection relating to lack of sufficient demand.

The guidance on forgivable loans in PSAS 3050, Loans receivable, provides an example where an asset can be recognized under PSAS based on the existence of sufficient evidence of a reasonable expectation of its recovery.

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

Paragraph 16 of PSAS 3210, ASSETS, states the following:

A public sector entity controls the economic resource and access to the future economic benefits when it:

- a) can benefit from the economic resource through its capacity to provide goods and services, to provide future cash inflows or to reduce cash outflows;*
- b) can deny or regulate access to those benefits by others; and*
- c) is exposed to the risks associated with the economic resource.*

The IESO can benefit from the regulatory asset through its capacity to provide future cash inflows in one of two ways:

1. Collection through future rates

Section 25 of the FHP gives the IESO the right to recover the regulatory asset through future rates:

Regulatory asset established

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.

Board to set rates

(2) Subject to subsection (3), the Board shall, from time to time and in accordance with the regulations, determine and set rates payable by specified consumers to allow for the IESO to recover the balance recorded in the variance account.

2. Sale to a financing entity

Section 26 of the FHP Act permits the IESO to sell the regulatory asset:

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.

Agreement

(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.

Effect of payment

(3) Upon receipt by the IESO of the payment by the financing entity,

- (a) the balance in the variance account shall be reduced by the amount of the payment;*
- (b) the regulatory asset shall be adjusted accordingly;*
- (c) the financing entity shall acquire a corresponding investment interest; and*
- (d) the IESO shall retain no further right, title or interest in the corresponding investment interest.*

Since (a) the statutory right to recover the regulatory asset belongs solely to the IESO, and (b) the IESO is permitted, but not required, to sell the regulatory asset, the IESO can deny or regulate access to the future economic benefits of the regulatory asset by others.

The IESO is exposed to the risks associated with the regulatory asset, with the primary risk being that collection through the mechanism set out in Section 25 of the FHP Act is dependent on the future consumption of electricity by rate-payers. If demand for electricity declines, the rate per unit must increase in order to recover the regulatory asset. Theoretically, the regulatory asset will be recovered as long as some level of demand exists. However, from a practical perspective, if demand drops too low the rate per unit may become prohibitively high to allow for full recovery, notwithstanding the 2017 *Ontario Long-term Energy Plan: Delivering Fairness and Choice* projects that demand will remain relatively constant until 2035 (see Appendix B). Even so, although the sale of the regulatory asset will be accompanied by a guarantee from the Province, the scope of the guarantee will be limited to regulatory changes (e.g., a statute or regulation being enacted, changed or repealed) and changes in the organization or structure of the IESO or Ontario's electricity market initiated by the Province that materially and adversely affect the ability of OPG Trust to satisfy its payment obligations and will not provide protection relating to lack of sufficient demand.

In reaching this conclusion, consideration was given to the following excerpt included on Page 37 of the 2008 Annual Report of the OAGO:

With regard to the second characteristic, we simply point again to the legacy of the former Ontario Hydro and its stranded debt. This in our view provides concrete evidence that even in monopoly situations governments do not have sufficient assurance that an enterprise will generate enough profits in future years to recover all of its past costs.

Although there needs to be sufficient assurance regarding the recovery of past costs, all relevant facts and circumstances need to be taken into consideration. Accordingly, the stranded debt of Ontario Hydro may be relevant to the analysis, but not determinative on its own. As noted in the previous section, the recoverability of past costs will be continually assessed.

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

When evaluating whether a transaction or event gives rise to control, the following guidance from PSAS 3210, ASSETS, provides helpful guidance:

.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.

.28 The existence of a law, by-law or policy in relation to a particular program is not a past transaction or event that gives rise to control of an economic resource. Control does not exist until the underlying event occurs.

.29 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.

In the case of the regulatory asset, the above guidance in PSAS 3210 makes it clear that it is not the statute itself that is the transaction or event giving rise to the asset, it is the incurrence of costs for which recovery is provided for under statute. Accordingly, control over the economic benefits of the regulatory asset occurs when the IESO incurs a cash flow deficit for costs to be recovered in the future that is recorded in the FHP variance account in accordance with Section 24(1) of the FHP Act:

24 (1) The IESO shall establish and maintain a variance account in which it records the following:

- 1. The IESO deferral for each month.*
- 2. All payments received by the IESO resulting from the exercise of the right of recovery under section 25 and any transfer under section 26.*
- 3. Such other adjustments as may be prescribed, including adjustments in respect of the period that commences on or after May 1, 2017 and before the day this section comes into force.*

At this point in time, the IESO has incurred a cash outflow for which it is entitled to recover under Section 25 of the FHP Act:

Regulatory asset established

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.

Board to set rates

(2) Subject to subsection (3), the Board shall, from time to time and in accordance with the regulations, determine and set rates payable by specified consumers to allow for the IESO to recover the balance recorded in the variance account.

The following excerpt from the IFRS Staff Paper on Rate-Regulated Activities prepared for discussion at the June 2017 IASB meeting presents a consistent view and dismisses the potential dissenting view that the transaction or event giving rise to the IESO's control is the future consumption of electricity by rate-payers:

A right arises from the rate-adjustment mechanism if the entity has already partially or fully fulfilled a regulatory requirement (past event) but the current regulated rate does not yet reflect the compensation that the entity is entitled to in exchange. Even though the entity cannot compel its customers to buy the regulated goods or services, the entity's right to charge an increased future regulated rate has the potential to produce for the entity an inflow of economic benefits that are not available to other parties. That right will be consumed as the entity includes the rate increase in future regulated rates and will lead to an inflow of economic benefits if customers pay the increased future regulated rate for the future delivery of goods or services.

Another potential dissenting view is contained on page 37 of the 2008 Annual Report of the OAGO:

With regard to the third characteristic, we do not believe that a rate-regulation decision can be considered a transaction or event giving rise to an asset or obligation because, as stated above, from the level of the government's consolidated financial statements such a decision is an internal event between two government-controlled entities. An equivalent analysis for rate-regulated liabilities leads to the same conclusion. PSAB standards preclude the inclusion of both gains and losses from such inter-company transactions. Therefore, our contention is that, at the consolidated financial statement level, rate-regulated assets and liabilities have no place and should be removed upon consolidation of the government's controlled entities.

It should be noted, however, that the OAGO's belief that a rate-regulation decision cannot be considered a transaction or event giving rise to an asset or obligation is not contrary to the IESO position. As noted above, it is not action taken under the statute itself that is being considered the transaction or event giving rise to the asset, it is the incurrence of costs for which recovery is provided for under statute. The incurrence of such costs is not an internal event between two government-controlled entities.

Asset classification and net debt

Once it is determined that the regulatory asset meets the basic characteristics of an asset in PSAS 1000.36, consideration also needs to be made as to what type of asset it is. This is important because PSAS 1000.58 does not permit the recognition of intangible assets:

In the absence of appropriate public sector recognition and measurement criteria for intangibles, all intangibles, including those that have been purchased, developed, constructed or inherited in right of the Crown, are not recognized as assets in government financial statements. The intangible often called "human capital" that embodies the talent or intellectual capital of government employees is not recognized as an asset under existing accounting principles.

PSAS 1000 identifies two types of assets: financial assets and non-financial assets and provides the following commentary:

.39 Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

.40 A financial asset is any asset that is:

- a) Cash
- b) a realizable asset that is convertible to cash;
- c) a contractual right to receive cash or another financial asset from another party;
- d) a contractual right to exchange financial instruments with another party under conditions that are potentially favourable to the government;
- e) an equity instrument of another entity;
- f) an investment in a government business enterprise or government business partnership;
- g) a financial claim on an outside organization or individual; or
- h) an inventory or item for sale that meets the criteria in FINANCIAL STATEMENT PRESENTATION, paragraph PS 1201.055.

.41 Non-financial assets include tangible capital assets, and other assets such as prepaid expenses and inventories of supplies.

.42 Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- a) are normally employed to deliver government services;
- b) may be consumed in the normal course of operations; and
- c) are not for sale in the normal course of operations.

PSAS 3210, ASSETS, also provides some relevant guidance:

.24 Non-financial resources include all items of a fixed or permanent nature (such as tangible capital property), claims to goods and services (such as prepaid items) and consumable goods (such as inventories of supplies). Non-financial resources also include intangibles, Crown lands and natural resources.

.25 Certain non-financial resources are, however, not given accounting recognition as assets in government financial statements. For example, all government intangibles, and all natural resources and Crown lands that have not been purchased by the government, are not given accounting recognition in government financial statements. A government's non-financial assets, as defined in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, comprise the recognized non-financial resources of a government.

Although PSAS does not permit the recognition of intangibles, it also does not provide a definition of intangibles. In absence of specific guidance in PSAS as to what constitutes an intangible, U.S. GAAP is probably the most appropriate source to consult, in light of the fact that it deals specifically with regulated assets. Under U.S. GAAP, a regulated asset is not treated as an intangible. ASC 980 contains separate subsections for 'Intangibles – Goodwill and Other' and 'Other Assets and Deferred Costs' and regulated assets are included in the guidance on 'Other Assets and Deferred Costs'.

In accordance with PSAS 1201.040(a), financial assets are presented separately on the statement of financial position. The IESO classifies its regulated assets (i.e., the original variance account and the regulated assets relating to unrecovered smart metering expenses and unrecovered PSAB transition items) as financial assets.

Although the regulatory asset created under the FHP does not clearly meet the definition of either a financial asset or a non-financial asset under PSAS, it possesses characteristics more consistent with that of a financial asset since it will be available to discharge existing liabilities or finance future operations and is not for consumption in the normal course of operations.

The FHP is expected to be executed in a manner such that the regulatory asset will be available to discharge existing liabilities or finance future operations in the short term through its commoditization

(i.e., transfer to the OPG Trust). However, even if not commoditized, the regulatory asset will be available to discharge existing liabilities or finance future operations in the future similar to, for example, a long-term receivable.

By recognizing the regulatory asset in a manner consistent with that of a financial asset, the FHP will have a neutral impact on both the Province's net debt and accumulated deficit, which appears appropriate and aligned with the intent of guidance in PSAS 1100, Financial statement objectives:

Financial statements should present information to describe the government's financial position at the end of the accounting period. Such information should be useful in evaluating:

- a) the government's ability to finance its activities and to meet its liabilities and contractual obligations; and*
- b) the government's ability to provide future services.*

A government's net debt is an important indicator of a government's financial position, highlighting the financial affordability of future government service provision. A net debt position represents a "lien" on the ability of the government to apply financial resources and future revenues to provide services. Non-financial assets are added to net debt to calculate the other indicator of a government's financial position — its accumulated surplus or deficit. Non-financial assets are "prepaid service potential". Reporting a government's recognized non-financial resources as part of its financial position provides information necessary for a more complete understanding of a government's debt position, financial position and future operating requirements.

Governments provide public services and redistribute wealth for a variety of social and economic purposes. To meet those objectives, governments need information about the cost of services and the affordability of services. An understanding of the extent of the financial "lien" the government has on its ability to provide future services as a result of past transactions and events is essential information. Governments also need to have an appreciation of the magnitude of the total economic resources they have on hand to deliver services. A government's net financial resources / net debt position, assessed in combination with the non-financial resources position of the government, provides a measure of the net recognized economic resources available to the government at the financial statement date to provide services in the future.

Net debt is a measure of future revenue required from taxpayers relating to past transactions and events. If the regulatory asset is not recognized in a manner consistent with that of a financial asset by the GRE, the Province's net debt will increase significantly, suggesting that the Province has a much higher future revenue requirement needed to be funded by taxpayers. This would be inaccurate, however, since the regulatory asset is going to be recovered under statute from electricity consumers, not taxpayers. Combining amounts to be funded by ratepayers and tax payers is not consistent with the objective of the net debt indicator in PS1100.

Additionally, while an increase in net debt and/or accumulated deficit in the financial statements of the GRE would be an indicator the Province's financial position has deteriorated in accordance with PSAS 1200.036, the FHP has not resulted in any change to the expected recovery from ratepayers for clean energy investments that would alter the net financial position of the IESO or the Province prior to the introduction of the FHP Act.

Conclusion

The FHP variance account meets the requirements to be accounted for as an asset under PSAS. As noted in Section 25 of the FHP Act, the IESO holds the sole right to collect the variance account from ratepayers under statute. It is expected that IESO will realize future economic benefits through future cash inflows collected from ratepayers.

The FHP Act also provides for the IESO to realize its 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.

Control over future economic resources 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.

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.

ASSETS, Section PS 3210 paragraph .26 supports that the point of exchange at which risk transfers gives rise to an asset. 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 as supported by PS 3210 paragraph .32.

Net debt under PSAS is a measure of future revenue requirements from the taxpayers to pay for past transactions and events. Absent the recognition of the variance account as an asset, the Province's net debt would increase significantly, suggesting that the Province has a much higher future revenue requirement, while the recovery of the variance account is from the ratepayers, not taxpayers.

Since the FHP Act 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.

2. Is the application of the GAAP hierarchy under PS1150 permit use of rate-regulated accounting? If so:

In assessing whether ASC 980-340-25-1 is an acceptable source of guidance under PSAS, Paragraph 5 of PSAS 1150, GENERALLY ACCEPTED ACCOUNTED PRINCIPLES, states the following:

When the primary sources of GAAP do not deal with the accounting and reporting in financial statements of transactions or events encountered by the public sector reporting entity, or additional guidance is needed to apply a primary source to specific circumstances, the selection of an appropriate accounting policy requires

the exercise of professional judgment. In these circumstances, a public sector reporting entity should adopt accounting policies and disclosures that are consistent with:

- a) the primary sources of GAAP; and*
- b) the application of the concepts described in FINANCIAL STATEMENT CONCEPTS, Section PS 1000.*

Related guidance is also provided in PSAS 1150.18-.20:

Paragraphs PS 1150.19-.24 identify some of the other sources that a public sector reporting entity might consult to assist in selecting accounting policies and disclosures that comply with paragraph PS 1150.05.

Pronouncements issued by other bodies authorized to issue accounting standards may be useful sources to consult. For example, accounting pronouncements published with the authority of the Canadian Accounting Standards Board (AcSB), International Accounting Standards Board (IASB), US Federal Accounting Standards Advisory Board (FASAB), US Governmental Accounting Standards Board (GASB), or International Public Sector Accounting Standards Board (IPSASB) are often important sources to consult on matters not covered by primary sources of GAAP or for assistance in applying a primary source of GAAP to specific circumstances.

When a public sector reporting entity chooses to consult a source described in paragraph PS 1150.19, 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, as well as in the context of the related pronouncement. When an accounting standard setter does not have a conceptual framework that is similar to the concepts referred to in paragraph PS 1150.05(b), the public sector reporting entity needs to ensure that the selected source is consistent with those concepts.

Since PSAS does not specifically address the treatment of costs incurred that will be recovered through regulatory operations in future periods, the IESO would not be precluded from following the guidance in ASC 980-340-25-1 (i.e., silence under PSAS on this specific topic does not, on its own, mean that such guidance is to be ignored). However, PSAS 1000.05 makes it clear that in order to do so, it must first be demonstrated that such guidance is consistent with the application of the concepts described in PSAS 1000, FINANCIAL STATEMENT CONCEPTS.

In a letter from the OAGO to the Board of Directors of the IESO dated June 22, 2017 (the OAGO Letter), the OAGO makes the following statement:

The definitions of an asset in the PSAS and FASB Conceptual Framework are similar. Similar to PSAS, rate regulated deferral accounts do not generally meet the definition of an asset in the FASB's Conceptual Framework.

However, the following excerpts from the Basis for Conclusions for FAS 71 (paragraph 58 in particular), clearly support that ASC 980 is an application of, not an exception from, the basic definition of an asset in the Conceptual Framework:

Economic Effects of Regulation

56. The second threshold issue in the Discussion Memorandum was: "Does rate regulation introduce an economic dimension in some circumstances that should affect the application of generally accepted accounting principles to rate-regulated enterprises?"

57. Most respondents to the Discussion Memorandum indicated that rate regulation does introduce such an economic dimension in some circumstances. Respondents cited the cause-and-effect relationship of costs and revenues as the principal economic effect of regulation that affects accounting for regulated enterprises. They noted that cost might be one factor used by unregulated enterprises to establish prices, but it would often not be the most important factor. Usually, prices are limited by the market. An unregulated enterprise might desire to price its goods or services at a level that would recover all costs and a reasonable profit; however, the market might not permit that price. Alternatively, an unregulated enterprise might be able to increase its prices and its profit if competition does not limit its prices. In either case, cost often is not the principal determinant of prices. In contrast, for an enterprise with prices regulated on the basis of its costs, allowable costs are the principal factor that influences its prices.

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.

The fact that many Canadian rate-regulated entities recognized regulated assets under Part V of the CPA Canada Handbook – *Pre-changeover Accounting Standards* (Part V GAAP) further supports the position that regulated assets do meet the basic definition of an asset under PSAS. Although Part V GAAP refers to rate regulation in several standards, it does not include cost capitalization guidance equivalent to ASC 980-340-25-1. It does, however, specify in paragraph 32B of Section 1100, *Generally accepted accounting principles*, that Section 1100 applies to the recognition and measurement of assets and liabilities arising from rate regulation beginning January 1, 2009. Since Section 1100.04 only permits the use of an alternate source of GAAP if it is consistent with Part V GAAP, regulated assets need to meet the basic definition of an asset under Part V GAAP in order to be recognized. The Part V GAAP definition of an asset in Section 1000, *Financial Statement Concepts* is consistent with the PSAS definition.

The CICA Research Report also concluded regulated assets meet the basic definition of an asset under Part V GAAP:

In the Study Group's view, the economic benefits and obligations created by rate regulation and resulting from past transactions or events, and the changes in these amounts, meet the definition of a financial statement element set out in Handbook Section 1000.

The OAGO Letter suggests that IFRS should be consulted prior to referring to ASC 980 under PSAS's GAAP hierarchy in PSAS 1150 and points out the following:

- In 2005 the International Financial Reporting Interpretations Committee (IFRIC) indicated the US GAAP recognition criteria for regulated assets were not fully consistent with IFRS and could not be applied by analogy.
- When the question of rate regulated accounting was posed to the IFRIC again in 2008, the IFRIC noted the topic had been previously addressed and there was a well-established practice of first

time IFRS adopters ceasing rate regulated accounting and removing regulatory deferral accounts from their financial statements.

- In the Basis for Conclusions on IFRS 14, IFRS 14.BC30 noted the differences in the recognition criteria between IFRS and ASC 980 resulted in almost all existing regulatory deferral accounts being derecognized upon transition to IFRS.

While PSAS does not prescribe an ordering of consideration for sources other than primary sources, the statements made with respect to IFRS by the OAG have been considered. It should be noted, however, that the IASB's project on rate-regulated activities is still in progress and the OAGO Letter does not reference more recent and relevant activity. In September 2014, the IASB issued Discussion Paper DP/2014/02, *Reporting the Financial Effects of Rate Regulation*. The Discussion Paper presents the opposing views as to whether regulatory deferral account balances meet the definitions of an asset or a liability and specifically states the following in paragraph 5.09:

Consequently, the IASB has not formed a preliminary view on whether regulatory deferral account balances meet either the current or proposed revised Conceptual Framework definitions of an asset and a liability. It will use the input received from the responses to this Discussion Paper and the Conceptual Framework project to help it assess whether to develop any specific accounting guidance or requirements for rate-regulated activities.

In addition, the most recent paper issued by the IASB staff in June 2017 includes the following:

17. During the May 2017 Board meeting we also considered the interaction between the definitions of assets and liabilities and the characteristics of defined rate regulation (see paragraphs 5 and 6). We concluded that a combination of those characteristics suggested that the rights and obligations created by the rate-adjustment mechanism are assets and liabilities, as those terms are expected to be defined in the forthcoming revised Conceptual Framework for Financial Reporting.

The Exposure Draft ED/2015/3, *Conceptual Framework for Financial Reporting*, defines an asset as follows:

4.5 An asset is a present economic resource controlled by the entity as a result of past events.

4.6 An economic resource is a right that has the potential to produce economic benefits.

This recent activity suggests that it would be premature to assume that the IASB will conclude that regulatory deferral account balances will not meet the definitions of an asset or a liability.

Conclusion

The application of the GAAP hierarchy under PS1150 permits use of rate-regulated accounting. PSAS are silent on the use of rate-regulated accounting; the standards neither explicitly permit nor prohibit its recognition, measurement, presentation or disclosures. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section PS 1150.19 provides examples (not an exhaustive list) of other sources of GAAP, while PS 1150.20 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) has been completed to ensure proper application of the GAAP hierarchy. It was determined ASC 980 under US GAAP was consistency with the concept of assets as described in ASSETS, Section PS 3210 and FINANCIAL STATEMENT CONCEPTS, Section PS 1000.36.

However, recognizing the regulatory asset as a rate-regulated asset for accounting purposes in the financial statements of the IESO in accordance with ASC 980 is appropriate only if all of the conditions are met.

a. Are the operations of the IESO (or the relevant portion thereof) within the scope of ASC 980 based on the criteria in ASC 980-10-15-2?

The Office of the Auditor General of Ontario (OAGO) has publicly stated that it does not believe the IESO meets the criteria to be within the scope of ASC 980. This is evidenced by the following statement included in *Legislated Accounting Included in Bill 132, Including the Proposed Ontario Fair Hydro Plan Act, 2017 – Submission to Standing Committee on Justice Policy* dated May 25, 2017 (OAGO Submission):

“Moreover, IESO is not engaging in rate-regulated activities, and the contracts under its administration were never subject to rate regulation.”

Assessing the eligibility criteria in ASC 980-10-5-2

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:

- a) *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.*
- b) *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.*
- c) *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.*

Ontario's electricity industry is rate-regulated. Rates paid by electricity consumers are regulated by the OEB such that over time rates equal cost plus, where applicable, a reasonable rate of return. Providing electricity to consumers involves several different parties, including generators, transmitters, distributors and the IESO. Some of these parties engage in rate-regulated activities, some do not.

The IESO serves an important and active role in Ontario's electricity market, irrespective of the fact that it records market transactions on net basis in the financial statements. The IESO balances the supply of

and demand for electricity in Ontario and directs its flow across the province's transmission lines, oversees the wholesale electricity market, where the price of energy is determined, and administers the rules that govern the market. In determining whether the IESO has regulated operations, the focus is on whether the rates the IESO charges its customers are regulated and not whether the costs incurred by the IESO are regulated (although a number of them are).

The following supports the position of IESO management that the above criteria are met and the IESO's operations are within the scope of ASC 980:

- a) 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.***

As noted in a research paper issued in 2001 by a taskforce established by the CICA (the CICA Research Report), there is a view held by some that, with respect to rate regulation in the public sector, there is usually no *independent, third-party regulator* because the government controls both the enterprise and the regulatory agency. Accordingly, it is important to point out that independence is not required to meet the criteria in ASC 980-10-15-2(a). The requirement is an *independent, third-party regulator or its own governing board empowered by statute or contract*. In fact, paragraph 64 of the Basis for Conclusions for FAS 71, ACCOUNTING FOR THE EFFECTS OF CERTAIN TYPES OF REGULATION (which is the pre-codified version of ASC 980), specifically states that the criteria in ASC 980-10-15-2(a) was modified so as not to preclude application by government utilities with rates set by their own governing board.

The OEB has been established by the Province to be Ontario's independent energy regulator and, therefore, is considered the governing board of the IESO. The OEB's mandate and authority comes from the *Ontario Energy Board Act, 1998*, the *Electricity Act, 1998*, and a number of other provincial statutes. As described in more detail below, the IESO's rates are established in accordance with these statutes.

In the context of its market-settlement role, the IESO's 'customers' are the Market Participants buying electricity from the IESO-controlled grid. All Market Participants are required to execute a Participation Agreement with the IESO. In accordance with Article 3.1 of the standard Participation Agreement, each Market Participant has agreed to be bound by and to comply with all of the provisions of the Market Rules, which includes the following:

Chapter 9, Section 1.2.3

Notwithstanding any other provision within the market rules, market participants shall remit to the IESO such applicable settlement amounts and other payments as may be required under the relevant provisions of the Electricity Act, 1998, the Ontario Energy Board Act, 1998 and any related regulations, as amended from time to time.

The IESO's operations meet the criteria in ASC 980-10-15-2(a) because the rates charged by the IESO are based on statutes. As discussed in more detail below, the rates are designed to recover the IESO's expenditures for providing the regulated services plus the pass-through costs related to the energy

purchased from the generators and to government programs. Each cost detailed below is accompanied by the appropriate reference demonstrating the necessary regulatory approval under statute.

The main components of invoices issued by the IESO to Market Participants are as follows:

- Commodity Charges
 - o Hourly Ontario Energy Price
 - o Global Adjustment
- Wholesale Market Service Charges
 - o IESO Administration Fee
 - o Uplift Charges
 - o Rural and Remote Electricity Rate Protection
- Wholesale Transmission Charges
- Debt Retirement Charge

Each component is determined as follows:

Commodity Charges

In accordance with Section 25.33(1) of the Electricity Act, the IESO is required to price electricity to recover costs:

Electricity pricing to reflect costs

IESO to make adjustments

25.33 (1) The IESO shall, through its billing and settlement systems, make adjustments in accordance with the regulations that ensure that, over time, payments by classes of market participants in Ontario that are prescribed by regulation reflect,

- a) amounts paid to generators, the Financial Corporation and distributors, whether the amounts are determined under the market rules or under section 78.1, 78.2 or 78.5 of the Ontario Energy Board Act, 1998;*
- b) amounts paid to entities with whom the IESO has a procurement contract, as determined under the procurement contract; and*
- c) such amounts as may be prescribed that are paid or incurred by the IESO in relation to the Ontario Fair Hydro Plan Act, 2017. 2014, c. 7, Sched. 7, s. 8 (1); 2017, c. 16, Sched. 1, s. 43 (2).*

Market Participants are initially invoiced for consumed electricity at the Hourly Ontario Energy Price (HOEP), which is calculated as the average of the twelve market clearing prices set in each hour. In accordance with Section 25.33(5) of the Electricity Act, the IESO is required to track differences between the amounts invoiced to Market Participants at HOEP and actual costs incurred in a variance account:

Variance accounts

(5) The IESO shall establish and maintain such variance accounts as may be necessary to record all amounts payable or receivable by it under this section or under the Ontario Fair Hydro Plan Act, 2017. 2004, c. 23, Sched. A, s. 37; 2014, c. 7, Sched. 7, s. 8 (5); 2017, c. 16, Sched. 1, s. 43 (5).

Sections 3.1 and 3.3 of the OEB Act require the variance account to be settled over a twelve-month period, which is done through the Global Adjustment on a Market Participant's invoice:

Annual rate plan and separate rates for situations prescribed by regulation

(3.1) The Board shall, in accordance with rules prescribed by the regulations, approve or fix separate rates for the retailing of electricity,

- a) to such different classes of consumers as may be prescribed by the regulations; and*
- b) for such different situations as may be prescribed by the regulations. 2004, c. 23, Sched. B, s. 14 (1).*

Rates to reflect cost of electricity

(3.3) In approving or fixing rates under subsection (3.1),

- a) the Board shall forecast the cost of electricity to be consumed by the consumers to whom the rates apply, taking into consideration the adjustments required under section 25.33 of the Electricity Act, 1998 and shall ensure that the rates reflect these costs; and*
- b) the Board shall take into account balances in the IESO's variance accounts established under section 25.33 of the Electricity Act, 1998 and shall make adjustments with a view to eliminating those balances within 12 months or such shorter time periods as the Minister may direct. 2004, c. 23, Sched. B, s. 14 (1); 2014, c. 7, Sched. 23, s. 6 (2).*

Although the implementation of the FHP involves the deferral of costs over an extended period of time, it does not change the IESO's obligation under the OEB Act to price electricity to recover incurred costs in full.

The deferral relating to the FHP is tracked in a separate variance account in accordance with Section 24(1) of the Fair Hydro Plan Act, 2017 (the FHP Act):

Variance account to be established, maintained

24 (1) The IESO shall establish and maintain a variance account in which it records the following:

- 1. The IESO deferral for each month.*
- 2. All payments received by the IESO resulting from the exercise of the right of recovery under section 25 and any transfer under section 26.*
- 3. Such other adjustments as may be prescribed, including adjustments in respect of the period that commences on or after May 1, 2017 and before the day this section comes into force.*

The right for the IESO to recover the variance account is set out in Section 25 of the FHP Act:

Regulatory asset established

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.

Board to set rates

(2) Subject to subsection (3), the Board shall, from time to time and in accordance with the regulations, determine and set rates payable by specified consumers to allow for the IESO to recover the balance recorded in the variance account.

Limitation

(3) The IESO shall not be entitled to collect all or part of the balance recorded in the variance account from specified consumers before May 1, 2021.

Wholesale Market Service Charges

IESO Administration Fee

The IESO charges Market Participants an administration fee to operate the wholesale electricity market and manage the electric power system in Ontario. This fee is required to be approved by the OEB under Section 25(1) of the Electricity Act on an annual basis.

Review of requirements and fees

25 (1) The IESO shall, at least 60 days before the beginning of each fiscal year, submit its proposed expenditure and revenue requirements for the fiscal year and the fees it proposes to charge during the fiscal year to the Board for review, but shall not do so until after the Minister approves the IESO's proposed business plan for the fiscal year under section 24. 2014, c. 7, Sched. 7, s. 3 (1).

Uplift charges

The market participants make payments for services in accordance with the market rules provided under section 32 of the Electricity Act to ensure reliability of the power system, which are paid to

generators and other service providers as compensation for additional costs and recovered through an approved rate charged to consumers.

RRRP charges

The RRRP program provides a rate subsidy to rural and remote residential customers who face higher distribution costs. As required by Ontario Regulation 442/01, the RRRP program cost is recovered from all electricity customers in the province through a charge that is reviewed annually and approved by the OEB.

Wholesale Transmission Charge

This charge to LDCs and some large consumers covers the cost incurred by transmission companies to construct and maintain the high-voltage transmission lines needed to transport electricity from generating stations to LDCs or consumers. In accordance with Section 78(1) of the OEB Act, the rate for this service is approved by the OEB.

Debt Retirement Charge

When the Ontario electricity sector was restructured in April 1999, the Ontario Electricity Financial Corporation (OEFC) took on \$20.9 million of stranded debt from Ontario Hydro. The OEFC services and retires the stranded debt with cash flows from a number of sources in the electricity sector, one of those currently being debt retirement charges paid by certain ratepayers (ratepayers cease paying debt retirement charges April 1, 2018).

Under Regulation 494/01, DEBT RETIREMENT CHARGE – ADMINISTRATION, the IESO is appointed as a collector of debt retirement charges (Section 2) and is required to collect a debt retirement charge on behalf of the OEFA from every entity who withdraws electricity from the IESO-controlled grid (Section 6(2)). The prescribed rate for the debt retirement charge is set out in Regulation 493/01, DEBT RETIREMENT CHARGE – RATES AND EXEMPTIONS.

b) The regulated rates are designed to recover the specific entity's costs of providing the regulated services or products.

As discussed in detail above, the IESO is required by statute to set prices to recover costs.

c) 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 majority of the monthly amount invoiced by the IESO to Market Participants represents a direct flow through of costs as they are incurred, but there are certain types of costs for which recovery may be deferred. For those deferred costs, the IESO is dependent on the future consumption of electricity by ratepayers to fully recover costs.

Based on relatively short recovery periods, it is reasonable to assume there will be sufficient demand to recover the deferred costs that currently exist. Specifically:

- RPP and RRRP variance accounts supported by the rate base are recovered over twelve months in accordance with Section 3.3(b) of the OEB Act.
- The Smart Metering Entity charge is recovered over the period from May 1, 2013 to October 31, 2018 in accordance with OEB Decision and Order EB-2015-0298.

Under the FHP, responsibility for the cost of the OESP program is being transferred to the government program expense and ratepayers will no longer be charged for the cost of this program. The OESP variance account, which is currently in a credit balance, will be used to fund the cost of the program until depleted.

The timing of the recovery of the FHP variance account has been established by the OEB to be, by law, recoverable over a period of 30 years. Given the nature and extent of customer demand for the power generated and distributed in Ontario, both at this time and projected in the future, it is reasonable to conclude that there will be sufficient demand to recover the regulatory asset. As discussed earlier, this conclusion, which is supported by Figure 8: *Delivering Fairness and Choice – Ontario’s Long-Term Energy Plan 2017*, (see Appendix B), will need to be continually evaluated throughout the recovery period. The willingness of unrelated third parties to fund the purchase of the regulatory asset from the IESO by OPG Trust also demonstrates the belief that sufficient demand will exist to permit its future recovery.

Other Exceptions Considered

In addition to the general scope requirements of ASC 980 discussed above, specific consideration is made as to whether the following scope exception in ASC 980-10-15-7 applies to the FHP:

The guidance in the Regulated Operations Topic does not apply to any of the following transactions:

- a) Accounting for price controls that are imposed by governmental action in times of emergency, high inflation, or other unusual conditions, or accounting for contracts in general. However, if the terms of a contract between an entity and its customer are subject to regulation and the criteria of paragraph 980-10-15-2 are met with respect to that contract, the guidance in this Topic shall apply.*

Based on the discussion below, this scope exemption is not applicable to the FHP.

Electricity cost reductions resulting from the FHP do not represent price controls imposed by the Province in a time of emergency, high inflation, or other unusual conditions. As noted in the 2017 budget speech, the 2017 Ontario Budget – A Stronger, Healthier Ontario, the FHP is a fairer way to share the costs of building a cleaner, more modern and reliable electricity generation system. In particular, the budget speech states:

Recognizing that existing electricity infrastructure is expected to last for decades to come, the Province would refinance the cost of those capital investments to ensure that system costs are more equitably distributed over time.

The following paragraph from the Basis for Conclusion for FAS 71 also provides some insight as to the specific concerns relating to government imposed price controls that resulted in the scope exception in ASC 980-10-15-7(a):

70. The first scope limitation of paragraph 8—excluding accounting for price controls imposed by governmental action in times of emergency, high inflation, or other unusual conditions—was included in the Discussion Memorandum. Price controls imposed in periods of unusual conditions are not expected to be applied consistently over an extended period. Indeed, their duration usually is limited by statute. In that environment, assurance of future benefits cannot be provided by probable future actions of the price control regulator because that regulator may not exist at a given future date.

The implementation of the FHP does not create the type of environment described in FAS 71.BC70 as it is governed by the OEB and there is no concern the OEB will not continue to exist.

The second part of the scope exception in ASC 980-10-15-7(a) relating to the accounting for contracts is further explained in the following paragraph from the Basis for Conclusion for FAS 71:

71. Accounting for contracts in general was also excluded from the scope of the Discussion Memorandum. The economic effects of cost reimbursement contracts are in some respects similar to the economic effects of the type of regulation addressed by this Statement. However, most contracts tend to be relatively short-term, whereas regulation of enterprises covered by this Statement is expected to continue beyond the foreseeable future. The Board noted that other authoritative literature addresses contract accounting and concluded that it should exclude the general issue of contract accounting from the scope of this Statement.

Although the impetus for the FHP relates to term of contracts the IESO has entered into with certain generators, the FHP does not change the existing accounting for these contracts.

Conclusion

The operations of the IESO are within the scope of ASC 980 based on the criteria in ASC 980-10-15-2 as 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.

b. Does the FHP variance account meet the criteria in ASC 980-340-25-1 for capitalization as a regulatory asset?

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.

A cost that does not meet these asset recognition criteria at the date the cost is incurred shall be recognized as a regulatory asset when it does meet those criteria at a later date.

Assessing the capitalization criteria under ASC 980

The following supports the IESO's position that the FHP variance account meets the above criteria for capitalization:

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.

The following excerpts from the FHP Act make it clear that the IESO is entitled to recover the regulatory asset through rates in the future:

Variance account to be established, maintained

24 (1) The IESO shall establish and maintain a variance account in which it records the following:

- 1. The IESO deferral for each month.*
- 2. All payments received by the IESO resulting from the exercise of the right of recovery under section 25 and any transfer under section 26.*
- 3. Such other adjustments as may be prescribed, including adjustments in respect of the period that commences on or after May 1, 2017 and before the day this section comes into force.*

Recording determinative

(2) Subject to the correction of any obvious error by the IESO, its recording of the balance in the variance account is determinative of the balance as of the time of the recording.

Regulatory asset established

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.

Board to set rates

(2) Subject to subsection (3), the Board shall, from time to time and in accordance with the regulations, determine and set rates payable by specified consumers to allow for the IESO to recover the balance recorded in the variance account.

Limitation

(3) The IESO shall not be entitled to collect all or part of the balance recorded in the variance account from specified consumers before May 1, 2021.

If demand for electricity declines, the rate per unit must increase in order to recover the regulatory asset. Theoretically, the regulatory asset will be recovered as long as some level of demand exists. However, from a practical perspective, if demand drops too much the rate per unit may become prohibitively high to allow for full recovery. Accordingly, the recovery of the regulatory asset is

effectively dependent on sufficient future consumption of electricity by ratepayers. The recovery period has been determined to be 30 years. Given the nature and extent of customer demand for the power generated and distributed in Ontario, both at this time and projected in the future, it is reasonable to conclude that it is probable there will be sufficient demand in the future to recover the regulatory asset. This conclusion, which is supported by Figure 8: *Delivering Fairness and Choice – Ontario’s Long-Term Energy Plan 2017* (Appendix B), will need to be continually evaluated throughout the recovery period.

The willingness of unrelated third parties (e.g., investors) to fund the purchase of the regulatory asset from the IESO by OPG Trust also demonstrates the belief that sufficient demand will exist to permit its future recovery. Although the sale of the regulatory asset will be accompanied by a guarantee by the Province, the scope of the guarantee will be limited to regulatory changes (e.g., a statute or regulation being enacted, changed or repealed) and changes in the organization or structure of the IESO or Ontario’s electricity market initiated by the Province that materially and adversely affect the ability of OPG Trust to satisfy its payment obligations and will not provide protection relating to lack of sufficient demand.

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.

Based on the above excerpts from the FHP Act, it is clear the IESO will be recovering costs previously incurred rather than providing for expected levels of similar future costs.

As well, the IESO is considered an agent in the market-settlement process and, therefore, recognizes revenue on a net basis. Although this conclusion impacts whether the recovery of costs through rates are presented as revenue in the financial statements of the IESO, it is not considered to preclude these amounts from being considered ‘future revenue’ for purposes of assessing the criteria in ASC 980-340-25-1. In fact, the capitalization of the incurred costs in the FHP variance account preserves the treatment of the IESO as an agent (i.e., if these costs are not capitalized, it results the recognition of costs in the period incurred and the recognition of revenue in a subsequent period when electricity is consumed, which, in effect, is gross presentation). To put another way, not capitalizing the costs in FHP variance account treats the IESO as a principal in the transaction by showing costs and revenue.

Conclusion

The FHP variance account meets the criteria in ASC 980-340-25-1 for capitalization as a regulatory asset. The FHP variance account meets the criteria in ASC 980-340-25-1 for capitalization. The FHP Act and its regulations entitle the IESO to recover the amounts that have been deferred, including interest and carrying costs. The costs being recovered under the FHP Act relates to past costs incurred and are not for the purposes of providing for future expected service levels. The rate per unit of electricity that is collected from the specified ratepayers will be determined based on the amount of electricity consumed in the future, not whether electricity is consumed in the future – the 2017 Long-term Energy Plan predicts that the demand for energy will be fairly steady over the planning period (to 2035). The IESO is able to sell the regulatory asset.

- c. Does the OEB need to be considered independent from the Province in order to meet the scope requirements of ASC 980 and/or the characteristics of an asset in PSAS 1000.36?

ASC 980

To be in the scope of ASC 980, ASC 980-10-15-2(a) requires the following:

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.

As previously discussed, independence is **not** required to meet the criteria in ASC 980-10-15-2(a). The requirement is an *independent, third-party regulator* **or** *its own governing board empowered by statute or contract*.

The OEB has been established by the Province to be Ontario's independent energy regulator and, therefore, is considered the governing board of the IESO. The OEB's mandate and authority come from the *Ontario Energy Board Act, 1998*, the *Electricity Act, 1998*, and a number of other provincial statutes. As detailed in previous sections, the IESO's rates are established in accordance with these statutes. Accordingly, the requirement of ASC 980-10-15-2(a) is met irrespective of whether the OEB is considered independent.

PSAS 1000.36

The third criterion in PSAS 1000.36 requires the transaction or event giving rise to the public sector entity's control to have already occurred. As previously discussed, the following view contained on page 37 of the 2008 Annual Report of the OAGO states a decision by the OEB cannot be considered to be a transaction or event giving rise to an asset:

With regard to the third characteristic, we do not believe that a rate-regulation decision can be considered a transaction or event giving rise to an asset or obligation because, as stated above, from the level of the government's consolidated financial statements such a decision is an internal event between two government-controlled entities. An equivalent analysis for rate-regulated liabilities leads to the same conclusion. PSAB standards preclude the inclusion of both gains and losses from such inter-company transactions. Therefore, our contention is that, at the consolidated financial statement level, rate-regulated assets and liabilities have no place and should be removed upon consolidation of the government's controlled entities.

However, to reiterate, it is not the statute itself that is being considered the transaction or event giving rise to the asset, it is the incurrence of costs for which recovery is provided for under statute. The incurrence of such costs is not an internal event between two government-controlled entities.

Further, one could argue the creation of the relevant statutes is not an internal event from the point of view of the consolidated government. Statutes must be passed by the Legislative Assembly of Ontario to

become law. Since the Legislative Assembly is comprised of elected members, it can be viewed as the government's governing body.

Conclusion

The OEB does not need to be considered independent from the Province in order to meet the scope requirements of ASC 980 or the characteristics of an asset in PSAS 1000.36. 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 to 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 or its own governing board empowered by statute or contract.

Summary

Concluding the regulatory asset possesses the three essential characteristics of an asset in PSAS 1000.05 then begs the question as to whether the application of the guidance in ASC 980 is even necessary in this particular situation. Consistent with the statement in ASC 980 –340-25-1 that *rate actions of a regulator can provide reasonable assurance of the existence of an asset*, ASC 980 provides guidance as to how to apply the primary source of PSAS in the regulatory environment.

Analysis – OPG Trust

OPG Trust is controlled by OPG and therefore consolidated on a line-by-line basis in OPG's financial statements. The analysis addresses the below questions in arriving at the accounting by OPG Trust:

1. Does the Provincial Guarantee represent a form of continuing involvement in the regulatory asset that would preclude sale treatment when transferred to OPG Trust?
2. Is OPG Trust controlled directly by IESO or the Province (as opposed to being controlled indirectly by the Province through OPG) requiring it to be consolidated on a line-by-line basis in the GRE?
3. Is IESO permitted to sell the regulatory asset to OPG Trust?

The analysis for OPG Trust is as follows:

1. Does the Provincial Guarantee represent a form of continuing involvement in the regulatory asset that would preclude sale treatment when transferred to OPG Trust?

As previously noted, the sale of the regulatory asset will be accompanied by a guarantee by the Province. As documented in The Change of Law Protection Agreement dated December 21, 2017, the scope of the guarantee will be limited to regulatory changes (e.g., a statute or regulation being enacted, changed or repealed), changes in the organization or structure of the IESO or Ontario's electricity market initiated by the Province, or an *ultra vires* court ruling of the FHP Act or its regulations that both materially and adversely affect the ability of OPG Trust to satisfy its payment obligations (referred to as Protection Events).

Although the guarantee represents a form of continuing involvement in the regulatory asset by the Province, its existence would only preclude sale treatment if the guarantee requires recognition as a liability in the financial statements of the GRE.

Until a Protection Event occurs, the guarantee will meet the definition of a contingent liability in PSAS 3300, *Contingent Liabilities*:

Contingent liabilities are possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the government's control occurs or fails to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

In accordance with PSAS 3300.15, a contingent liability is recognized in the financial statements when:

- (a) *it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and*
- (b) *the amount can be reasonably estimated.*

Accordingly, unless the occurrence of a Protection Event is considered likely, liability recognition is not required and the existence of the guarantee would not preclude sale treatment when the regulatory asset is transferred from IESO to OPG Trust.

The likelihood of a Protection Event will need to be continually assessed to determine if the recognition criteria is subsequently met.

Conclusion

Unless the occurrence of a Protection Event is considered likely, liability recognition is not required and the existence of the guarantee would not preclude sale treatment when the regulatory asset is transferred from IESO to OPG Trust. The likelihood of a Protection Event will need to be continually assessed to determine if the recognition criteria is subsequently met.

2. Is OPG Trust controlled directly by IESO or the Province (as opposed to being controlled indirectly by the Province through OPG) requiring it to be consolidated on a line-by-line basis in the GRE?

Under IFRS, OPG Trust is controlled and consolidated by OPG. As a GBE, PSAS requires OPG to be accounted for in the financial statements of the GRE using the modified equity method. Under the modified equity method, the financial results of OPG (which includes the financial results of OPG Trust) are neither reconciled from IFRS to PSAS, nor consolidated on a line-by-line basis in the financial statements of the GRE.

However, since control is defined differently under IFRS and PSAS, consideration has been made as to which party controls OPG Trust under PSAS. If controlled directly by either the Province or IESO under PSAS, OPG Trust would likely need to be consolidated on a line-by-line basis in the financial statements of the GRE and excluded from the equity accounted financial results of OPG in the GRE accounts.

PSAS 1300.18 identifies certain indicators that provide more persuasive evidence of control. The following supports the conclusion that the Province indirectly controls OPG Trust through OPG under PSAS based on these indicators:

Power to unilaterally appoint or remove a majority of the members of the governing body of the organization

The Province is not a Unitholder of the Trust, and as such has no role in appointing the governing body of the Trust which is the Issuer Trustee; this appointment is made by the majority Unitholder which is OPG.

Ongoing access to the assets of the organization, has the ability to direct the ongoing use of those assets, or has ongoing responsibility for losses

The assets of the Trust are not available for use, nor is the responsibility for losses borne directly by the Province. With the purchase of the regulatory asset from the IESO, the Trust becomes the sole owner of

the Trust assets. Only in the case of a protection event which would trigger the guarantee does the Province assume any responsibility for losses.

Holds the majority of the voting shares or a "golden share" that confers the power to govern the financial and operating policies of the organization. "Golden share" refers to a class of share that entitles the holder to specified powers or rights generally exceeding those normally associated with the holder's ownership interest or representation on the governing body

The Issuer Trustee, who is appointed by OPG as the majority Unitholder, is the governing body of the Trust. In turn, the Issuer Trustee has appointed and delegated to OPG the responsibilities as Manager which gives OPG the ability to direct the activities of the Trust. The Province, in this regard, has no ownership units (i.e. "golden share") and thus has no direct ability to affect the Issuer Trustee, nor has the Province any direct role in the management of the Trust.

Has the unilateral power to dissolve the organization and thereby access its assets and become responsible for its obligations

The wind-up of the Trust is subject to the unanimous approval of the Unitholders, of which OPG is the majority Unitholder and the Province does not hold any units. Thus, the wind-up of the Trust would appear to be beyond the direct control of the Province.

Conclusion

PSAS 1300.18 identifies certain indicators that provide more persuasive evidence of control. The following supports the conclusion that the Province indirectly controls OPG Trust through OPG under PSAS based on these indicators:

- OPG, as the majority Unitholder, appoints the governing body which in this case is the Issuer Trustee; the Province has no role in this appointment,
- The Trust is the sole owner of the Trust assets and are not available for use by the Province, and only in the circumstance of a triggering event does the Province become responsible for any losses borne by the Trust,
- There is no "golden share" owned by the Province as OPG, who is the majority Unitholder is the governing body of the Trust,
- Similarly, as the majority Unitholder, OPG, and not the Province, would hold the power to dissolve the organization.

3. Is IESO permitted to sell the regulatory asset to OPG Trust?

As discussed above, IESO management has concluded the regulatory asset created by the FHP can be recognized as a regulated asset for accounting purposes in the financial statements of the IESO in accordance with the guidance in ASC 980.

Since the IESO does not have the financial capability to finance the regulatory asset, OPG has established a financing entity (OPG Trust) to purchase the IESO's regulatory asset on a monthly basis to eliminate any cash shortfall in the IESO. The OPG Trust purchased its first portion of the regulatory asset from the IESO at the end of December 2017. Through this arrangement, OPG Trust will finance these purchases through a combination of provincial borrowing (flowed through OPG as an equity investment), amounts advanced from OPG and direct borrowing from capital markets. The OPG Trust issued its first capital market debt issuance in February 2018.

The sale of the regulatory asset to OPG Trust is permitted under Section 26 of the FHP Act:

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.

Agreement

(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.

Effect of payment

(3) Upon receipt by the IESO of the payment by the financing entity,

(a) the balance in the variance account shall be reduced by the amount of the payment;

(b) the regulatory asset shall be adjusted accordingly;

(c) the financing entity shall acquire a corresponding investment interest; and

(d) the IESO shall retain no further right, title or interest in the corresponding investment interest.

Consideration needs to be made as to whether the sale of the regulatory asset is accounted for as a sale transaction or a financing transaction. If treated as a sale transaction, the existing regulated asset is derecognized and offset by the cash received (DR Cash, CR Regulated Asset). Since the cash proceeds received are equal to the book value of the regulated asset, there is no net impact to income (i.e., no gain or loss on the sale). If treated as a financing transaction, the existing regulated asset continues to be recognized and the cash proceeds received are treated as a loan (DR Cash, CR Payable).

IESO management has concluded the sale of the regulatory asset to OPG Trust will result in the derecognition of the regulated asset (i.e., sale transaction). The IESO's auditors, KPMG, concur with this position, as evidenced from the following excerpt from the KPMG Letter:

We have considered the foregoing analysis and management's conclusion. We concur that the regulatory asset should be derecognized on transfer to the OPG Trust as IESO no longer has rights or future economic benefits associated with the asset.

PSAS provides little guidance relating to the derecognition of an asset. In particular, PSAS 1000, *Financial statement concepts*, PSAS 3210, *Assets*, and PSAS 3450, *Financial instruments*, are all silent on the topic. Although the transfer of the regulatory asset is not within the scope of PSAS 3430, *Restructuring Transactions*, the following derecognition guidance in this standard provides some relevant insight:

.21 Individual assets and liabilities transferred in a restructuring transaction should be derecognized by the transferor if they no longer meet the definitions of assets and liabilities and applicable recognition criteria at the restructuring date.

.24 When a transferor continues to be involved in the individual assets and/or liabilities it transferred to a recipient subsequent to the restructuring date, it would assess the nature and extent of its continued involvement against the definitions of assets and liabilities and applicable recognition criteria to evaluate whether:

- (a) derecognition of the asset and liability transferred would be appropriate; and*
- (b) its continued involvement gives rise to a new asset or new liability that needs to be recognized.*

.25 A new asset or new liability may arise from a restructuring due to a transferor's continued involvement in the individual assets and liabilities transferred (for example, if it agrees to guarantee repayment of all or a portion of a transferred liability or leases back a portion of a transferred asset). As the new asset or new liability is not transferred, together with related program or operating responsibilities, they are not part of the restructuring transaction. They would be accounted for in accordance with individual Sections of the PSA Handbook by both the transferors and recipients.

The IESO should derecognize the regulated asset when transferred to OPG Trust if it no longer meets the definition of an asset in PSAS 1000.35-.36. However, consideration should also be made as to whether the IESO has any continued involvement in the regulatory asset that would result in the recognition of a new asset and/or a new liability (i.e. financing transaction).

The following supports the IESO's position that subsequent to the transfer to OPG Trust, the regulatory asset no longer possesses the three essential characteristics of an asset in PSAS 1000.36 and, therefore, should be derecognized:

- a) 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***

The future economic benefits embodied in the regulated asset are realized by the IESO through the transfer of the regulatory asset to OPG Trust in exchange for cash. As noted above, under Section 26(2)(d) of the FHP, the IESO retains no further right, title or interest in the regulatory asset transferred to OPG Trust. Accordingly, there is no remaining future economic benefit to the IESO.

- b) The public sector entity can control the economic resource and access to the future economic benefits***

Although the IESO will collect funds on behalf of OPG Trust, the following sections of the FHP support that control of and access to the future economic benefits of the regulatory asset pass to OPG Trust:

Section 16 - IESO to receive amounts

- 2) The IESO shall, as agent of the investment interest owners, receive amounts in respect of the clean energy adjustment paid to it from electricity vendors in accordance with the market rules made under section 32 of the Electricity Act, 1998 or the regulations.*

- 4) *All amounts received by the IESO in respect of the clean energy adjustment shall, until remitted to or for the benefit of the investment interest owner, be held in trust by the IESO for the investment interest owners.*
- 5) *The IESO shall remit amounts received by it in respect of the clean energy adjustment, inclusive of interest earned on the amounts referred to in subsection (1), to or for the benefit of the investment interest owners in accordance with the regulations.*

Section 29 - Irrevocable rights and interests

- 1) *The investment asset constitutes a current and irrevocable property right and interest consisting, collectively, of the following rights and interests of investment interest owners:*
 1. *The right and interest to impose, invoice, collect, receive and recover the clean energy adjustment from specified consumers, including the right to determine the clean energy adjustment in accordance with this Act.*
 2. *The right to receive, collect and recover the clean energy adjustment that is imposed, invoiced and recoverable under this Act, including any amounts in respect of the clean energy adjustment that are held by electricity vendors, IESO and other prescribed parties.*

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

Not applicable as IESO does not control.

As previously noted, the IESO relinquishes its rights, title and interest in the regulatory asset upon transfer to OPG Trust. Subsequent to the transfer, the IESO's continuing involvement is as follows:

- The IESO acts as agent of OPG Trust, which involves receiving funds and holding them in trust on behalf of OPG Trust. This level of continuing involvement does not result in the recognition of a new asset and/or a new liability by the IESO.
- The IESO will provide OPG Trust a letter of credit equal to approximately one to two month's estimated Clean Energy Adjustment collections from all unrated or non-investment grade LDCs. It is estimated that LDCs not rated by any agency deliver power to approximately 25% of the Ontario electricity market. This level of continuing involvement also does not result in the recognition of a new asset and/or a new liability by the IESO.

Accordingly, it is appropriate to account for the transfer of the regulatory asset as a sale and derecognize the regulated asset.

Derecognition of the regulated asset is also consistent with ASC 980. ASC 980-340-40-1 provides the following guidance on the derecognition of an asset that has been recognized in accordance with ASC 980-340-25-1:

If at any time an entity's incurred cost no longer meets the criteria for the capitalization of an incurred cost (see paragraph [980-340-25-1](#)), that cost shall be charged to earnings.

In order for an incurred cost to be capitalized, ASC 980-340-25-1(a) requires the following:

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.

The capitalization criterion in ASC 980-340-25-1(a) is no longer met after the regulatory asset is transferred to OPG Trust because there are no future cash inflows that benefit the IESO. As mentioned above, the IESO realized the economic benefits associated with the regulatory asset upon the transfer. In accordance with Section 16 of the FHP, any future cash collected by the IESO is on behalf of OPG Trust.

Conclusion

The sale of the regulatory asset to OPG Trust is permitted under Section 26 of the FHP Act. Subsequent to the transfer to OPG Trust, the regulatory asset no longer possesses the three essential characteristics of an asset in PS 1000.36 to IESO as they no longer retain further rights, title or interest in the regulatory asset transferred to OPG trust. There are therefore no remaining future economic benefits to the IESO.

Analysis - Province

The following analysis addresses how the accounting of IESO and OPG Trust is reflected in the financial statements of the Province.

1. How is the accounting of IESO and OPG Trust reflected in the financial statements of the Province?

IESO is classified under PSAS as an OGO and therefore included in the financial statements of the Province by line-by-line consolidation. Therefore, assets (for example, the variance account), liabilities, revenues and expenses of IESO are included in the financial statements of the Province.

OPG Trust is controlled by OPG. OPG is classified under PSAS as a GBE and therefore included in the financial statements of the Province using the modified equity basis. While OPG consolidates OPG Trust on a line-by-line basis, the Province accounts for OPG as an investment in a GBE. Earnings of OPG are included in the Province's financial statements on a one line basis.

The impact on the Province's net debt and accumulated deficit is aligned with the intent of guidance in PSAS 1100, Financial statement objectives:

Financial statements should present information to describe the government's financial position at the end of the accounting period. Such information should be useful in evaluating:

- c) the government's ability to finance its activities and to meet its liabilities and contractual obligations; and*
- d) the government's ability to provide future services.*

A government's net debt is an important indicator of a government's financial position, highlighting the financial affordability of future government service provision. A net debt position represents a "lien" on the ability of the government to apply financial resources and future revenues to provide services. Non-financial

assets are added to net debt to calculate the other indicator of a government's financial position — its accumulated surplus or deficit. Non-financial assets are "prepaid service potential". Reporting a government's recognized non-financial resources as part of its financial position provides information necessary for a more complete understanding of a government's debt position, financial position and future operating requirements.

Governments provide public services and redistribute wealth for a variety of social and economic purposes. To meet those objectives, governments need information about the cost of services and the affordability of services. An understanding of the extent of the financial "lien" the government has on its ability to provide future services as a result of past transactions and events is essential information. Governments also need to have an appreciation of the magnitude of the total economic resources they have on hand to deliver services. A government's net financial resources / net debt position, assessed in combination with the non-financial resources position of the government, provides a measure of the net recognized economic resources available to the government at the financial statement date to provide services in the future.

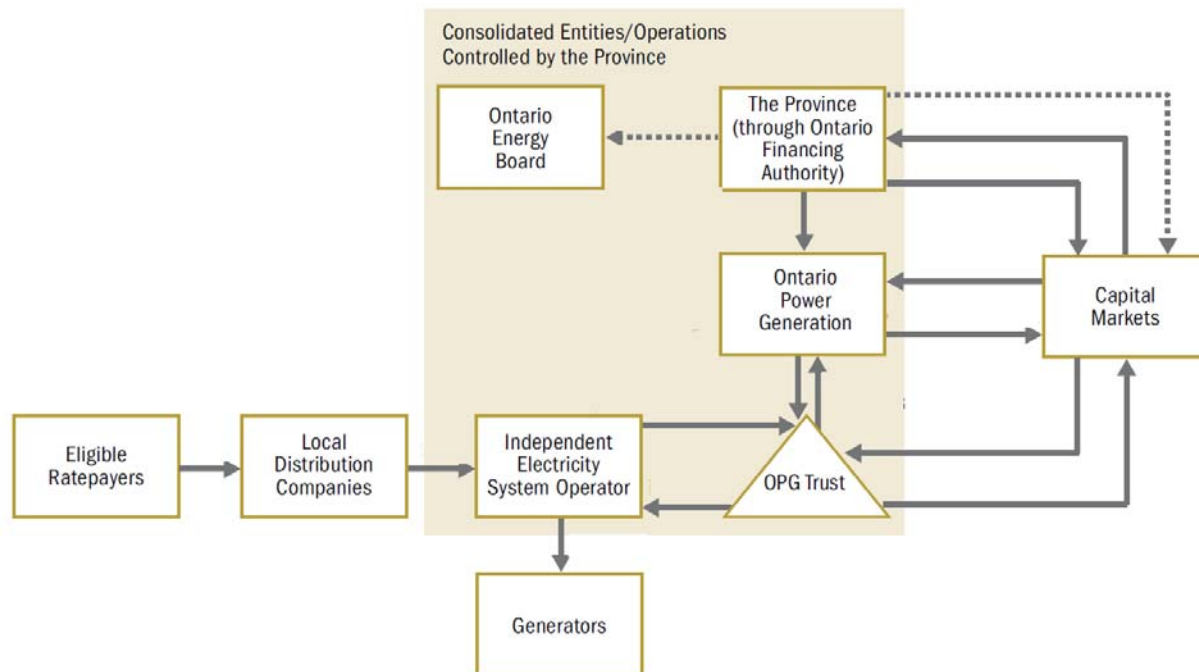
Net debt is a measure of future revenue required from taxpayers relating to past transactions and events. If the regulatory asset is not recognized in a manner consistent with that of a financial asset by the GRE, the Province's net debt will increase significantly, suggesting that the Province has a much higher future revenue requirement needed to be funded by taxpayers. This would be inaccurate, however, since the regulatory asset is going to be recovered under statute from electricity consumers, not taxpayers. Combining amounts to be funded by ratepayers and tax payers is not consistent with the objective of the net debt indicator in PS1100.

The FHP plan does not legislate the accounting for the regulatory asset. The reporting of the variance account meets the definition of an asset under PSAS. The accounting for this variance account in this matter reflects the substance of this transaction. Reporting the shortfall as an expense, as recommended by the Office of the Auditor General of Ontario in the Special Report: Fair Hydro Plan, reflects a deterioration of the financial position of the Province. Such presentation would be misleading and inaccurate to financial statement users based on the substance of the transaction, as it does not appropriately account for the future recovery under statute from electricity consumers, not taxpayers, for past costs incurred.

APPENDIX A – Proposed Legislated Transaction Structure

Proposed Legislated Transaction Structure

Adapted from the Office of the Auditor General Special Report: Ontario's Fair Hydro Plan



Eligible ratepayers pay 25% less to Local Distribution Companies which remit to the Independent Electricity System Operator, while the full amount is payable to Generators. The resulting shortfall of payment is reported as a rate regulated asset in accordance with ASC 980 as applied under the GAAP hierarchy permitted under PS1150.

The IESO is made whole by selling the rate regulated asset and the right to the collection of the shortfall from future ratepayers to the OPG Trust. The OPG Trust finances the purchase from an investment from the Province through Ontario Power Generation, OPG itself and Capital Markets.

Interest costs and service fees are charged back by the OPG Trust to the IESO which is added to the rate regulated asset and charged back through to ratepayers that will be recovered from future ratepayers.

Reporting

The IESO is reported in the consolidated financial statements on a full consolidation basis as an Other Government Organization. All assets and liabilities held by the IESO at the report date are reported on a line-by-line basis in the government's consolidated financial statements.

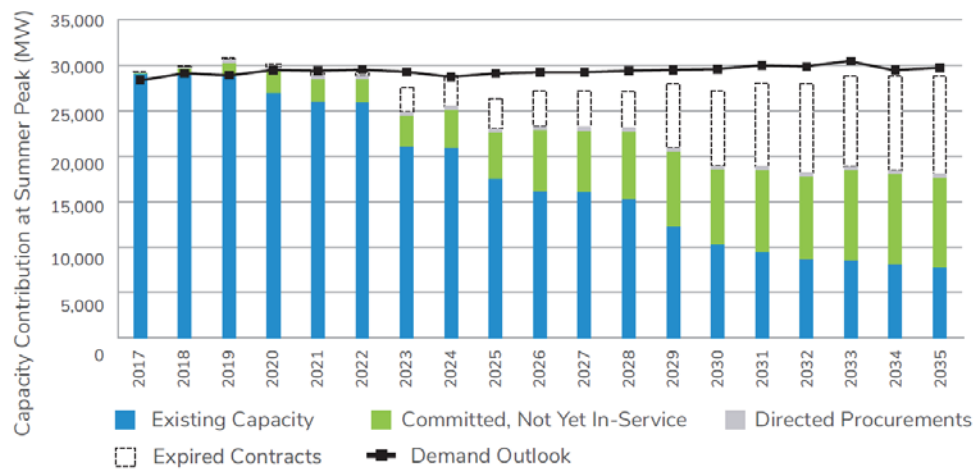
As a subsidiary of OPG, OPG Trust is consolidated into OPG and reported in the government's consolidated financial statements on a modified equity, one-line basis. The debt and rate regulated asset held by the consolidated OPG entity are reported as part of the investment of OPG as a GBE of the Province under PSAS.

The Province has issued a limited guarantee on the capital market debt issued by the OPG Trust. The guarantee is subject to note disclosure in the financial statements.

APPENDIX B – Ontario's Forecast Electricity Production

FIGURE 8.

Supply and Demand Outlook (2017-2035)



Source: IESO

Source: 2017 Ontario Long-term Energy Plan, p.37

APPENDIX C – Reporting of the Market Accounts

Effective January 1, 2016, the IESO adopted on a retrospective basis a new accounting policy that requires its market-settlement activities⁵ to be reflected in the financial statements.

Under the new policy, the assets and liabilities recognized on the IESO's statement of financial position relating to the IESO-administered markets include cash, amounts due from market participants, interest receivable, revolving line of credit, HST receivable, amounts due to market participants and other liabilities. The IESO statement of operations and accumulated surplus does not include the revenue and expenses of the financial transactions of market participants within the IESO-administered markets. This indicates IESO management has taken the position that the IESO is an agent, not a principal, in the IESO-administered markets and, accordingly, records revenue on a net basis.

PSAS does not provide any specific guidance as to how it should be determined whether an entity is acting as a principal or an agent in the context of revenue recognition, but both IFRS and US GAAP do. The relevant guidance in IFRS is as follows:

IAS 18.8

Revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenue. Similarly, in an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.

IAS 18.IE21

Determining whether an entity is acting as a principal or as an agent (2009 amendment).

Paragraph 8 states that 'in an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.' Determining whether an entity is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances.

An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that indicate that an entity is acting as a principal include:

⁵ The IESO administers the wholesale electricity market by authorizing market participants, publishing system forecasts and market information, producing statements and invoices, and performing financial settlement transactions for the markets.

- a) *the entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer;*
- b) *the entity has inventory risk before or after the customer order, during shipping or on return;*
- c) *the entity has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and*
- d) *the entity bears the customer's credit risk for the amount receivable from the customer.*

An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. One feature indicating that an entity is acting as an agent is that the amount the entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

Application of the above IFRS guidance supports the conclusion that the IESO is an agent in the market-settlement process and, therefore, recognizing revenue on a net basis is appropriate. IESO has completed a more thorough analysis of their position that it is an agent in the settlement of the market and reconsideration of that decision is not the topic of this memo.

As noted earlier, the IESO is permitted to keep in accordance with its own rate order from the OEB to cover its internal operating costs are recorded as system fee revenue in the IESO financial statements. These amounts are not characterized as being part of the IESO-administered markets.

Cash impacts of the Market Accounts

While the net position of market accounts will ultimately settle to a nil balance in accordance with market rules, due to settlement timing differences, the net position of market accounts will not be in a nil position from a cash flow perspective at the end of any reporting period. This raises a question as to how a cash flow deficit related to the market-settlement process should be accounted for in the financial statements of the IESO.

Two approaches are as follows:

1. The cash flow deficit is recognized as an asset when it occurs and then derecognized in the period in which it is settled. Under this approach, the net position of market accounts will always be in a nil balance in the IESO's balance sheet and there is no impact on the IESO's income statement.
2. The cash flow deficit is recognized as a charge to income when it occurs and then reversed through income in the period in which it is settled.

IESO management has concluded it is appropriate to recognize existing cash flow deficits arising from the market-settlement process as an asset. This is evidenced by the fact the components of the market accounts net to a nil closing balance at year end in the annual IESO financial statements commencing

with the year ended December 31, 2016. This treatment is consistent with the conclusion that the IESO is acting as an agent in the market-settlement process.