RE: cabinet minute - these may still be draft but are the latest (cut / paste from the attached draft assessment note / cabinet briefing note)

From: "Chaput, Brandon (MOF)" <brandon.chaput@ontario.ca>
To: "Ghiassi, Ali (MOF)" <ali.ghiassi@ontario.ca>

Date: Wed, 01 Mar 2017 10:56:36 -0500
Attachments: RAN Electricity Price Mitigation v10 CLEAN 2017 02 28.doc (988.67 kB); CBN - Electricity Price Protection Feb 8 final clean.docx (409.6 kB)

PROPOSED CABINET MINUTE

Cabinet agreed that:

ENERGY develop electricity rate mitigation actions that, in total, support a 25% electricity bill reduction (including the 8% reduction announced in 2016) in 2017 for a typical household by undertaking the following actions:

1. For consumers eligible to be billed under the Ontario Energy Board's Regulated Price Plan (RPP) and any other consumers who would be eligible for RPP if their electricity account was with a licensed distributor, ENERGY:

   A. Subject to completed legal, accounting and financing risk assessments, finance a portion of the Global Adjustment (GA) costs in order to partially defer RPP-eligible ratepayer GA costs by reducing projected after-tax electricity costs for a typical customer consuming 750kWh per month in 2017 by about 16% (i.e., $26 per month). Total projected bill increases will be kept in line with Consumer Price Index (CPI) until the end of 2021. From 2022 onwards, bills will increase at a rate that ensures gradual recovery of the accumulated debt and associated financing costs by 2048, with escalation in subsequent years set above CPI in order to ensure that bill increases due to repayments are capped at around 10% of the total bill. To this end:

      i. Explore expanding the powers of Ontario Energy Board (OEB), Independent Electricity System Operator (IESO), and Ontario Power Generation (OPG), and using other mechanisms, including the putting in place of appropriate payment, settlement and cost-recovery authorities for and through the IESO (including accommodating payments to and from any appropriate entity) to manage the deferred GA costs.

2. ENERGY develop and implement, subject to appropriate Treasury Board/Management Board of Cabinet approvals, rate mitigation initiatives targeted at specific populations, including:

A. Broadening the Rural or Remote Rate Protection (RRRP) program to mitigate distribution charges for customers of Local Distribution Companies (LDC) with some of the highest distribution rates, and moving the program from a ratepayer funded program to a government funded program beginning in 2017, including:

    i. Harmonizing distribution cost for customers with the highest distribution rates (Hydro One (R1 and R2 rate classes), Algoma Power, Atikokan Hydro, InnPower, Chapleau Public Utilities Commission, Sioux Lookout Hydro, Lakeland Power (Parry Sound service territory) and Northern Ontario Wires Inc) at the lowest distribution rate paid by an average consumer in this group by fall 2017.

B. Expanding every benefit level of the Ontario Electricity Support Program by 50%, moving the program from a ratepayer funded program to a government funded program beginning in 2017 and pursuing additional measures to substantially increase take-up;

C. Establishing a new one-time government funded Affordability Fund in 2016/17 to provide relief to electricity customers who do not qualify for existing low income programs and cannot purchase energy efficiency measures without financial assistance;

D. Establishing a new province-wide government funded program beginning in 2017 that would eliminate the delivery charge for First Nations customers on reserve; and

E. Expanding the Industrial Conservation Initiative (ICI) by reducing the eligibility threshold to 500 kW for consumers under North American Industry Classification System (NAICS) codes 31-33 (i.e., manufacturing) to enhance competitiveness for Class B electricity consumers beginning July 2017. Newly eligible consumers would be required to opt-in to the program if they wish to participate.

3. ENERGY report back to TB/MBC, prior to announcement, on:

    A. A feasible mechanism for refinancing the Global Adjustment, per minute 1A, including completed legal, accounting, and financing risk assessments.

    B. If a non-fiscal mechanism cannot be established for refinancing the Global Adjustment, options for achieving a comparable level of electricity rate mitigation in the most cost effective way in order to minimize the impact on the province’s fiscal plan.

    C. Additional proposed rate mitigation initiatives targeted at specific populations, per minute 2, including a proposal to move the RRRP and OESP from ratepayer funded programs to government funded programs.

4. ENERGY, through the Long-Term Energy Plan, take steps to further reduce electricity rates across the system by:

   A. Ontario Energy Board (OEB) – Identify opportunities for OEB red-tape reduction and future LDC efficiencies and rates ;

   B. Directing Independent Electricity System Operator (IESO) – Modernize Ontario's electricity market through electricity Market Renewal initiatives.

5. ENERGY to explore additional rate mitigation initiatives targeted at specific populations, including:

   A. Working with the ministries of Economic Development and Growth (MEDG), Finance (MOF), Environment and Climate Change (MOECC), Labor (MOL) and Small Business to identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' and report back to Treasury Board/Management Board of Cabinet and Cabinet in winter 2017.

   B. Working with the Ministry of Housing to explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs and report back to Treasury Board/Management Board of Cabinet and Cabinet in winter 2017.

6. ENERGY seek any further Treasury Board / Management Board of Cabinet approvals of these initiatives prior to implementation.

7. ENERGY report back to Treasury Board / Management Board of Cabinet by 2021 with a review of the Rural or Remote Rate Protection (RRRP) program changes, including the efficiency and effectiveness of the program.

8. ENERGY report to LRC and Cabinet in winter 2017 with legislative amendments to implement the above initiatives, as necessary.

9. ENERGY to report back to LRC and Cabinet for approval of any supporting regulations and complementary regulatory amendments in winter 2017.

10. ENERGY and MOF work with the Premier's Office and the Cabinet Office on the development and implementation of an integrated communications strategy.

Appendix A: Proposed Minute (DRAFT)

Should TB/MBC wish to proceed with the Ministry's request, the following minute could be considered:

Approve electricity rate mitigation actions that support up to a 25% electricity bill reduction (including the 8% reduction announced in 2016) for an average household in 2017.

In this regard, the Board:

i. i. Direct the Ministry of Energy to implement electricity rate mitigation for all electricity consumers eligible to be billed under the Ontario Energy Board's Regulated Price Plan (RPP) and any other consumers who would be eligible for RPP if their electricity account was with a licensed distributor by:

    a) Subject to completed legal, accounting and financing risk assessments, refinance the Global Adjustment (GA) in order to partially defer RPP-eligible ratepayer GA costs by reducing projected after-tax electricity costs for a typical customer consuming 750kWh per month in 2017 by up to 15%. Total projected bill increases will be kept in line with CPI until the end of 2021. From 2022 onwards, bills will increase at a rate that ensures gradual recovery of the accumulated debt by 2048.

    b) Direct the Ministry to report back to TB/MBC by Spring 2017, prior to going to LRC with any legislation, on the approach to refinance Global Adjustment , including, but not limited to:

        - Formal accounting opinions from OPG and IESO auditors.
        - Completed legal, financing and accounting risk assessments. Assessments to include, but not limited to proposed legislation, technical aspects such as Eurig analysis, and risk to borrowing (in discussion with the OFA).
        - Report on the multi-year profile of GA smoothing, identifying specific assumptions.
        - Report on sensitivity analysis completed as assumptions vary, such as under different recovery rates and periods.
        - Overall risk mitigation plan addressing completed legal, accounting and financing risk assessments.

    c) If a non-fiscal mechanism cannot be established:
        1. Direct the Ministry to report back to Cabinet and TB/MBC with options for achieving a comparable level of electricity rate mitigation in the most cost effective way, in order to minimize the impact on the province's fiscal plan.
        2. Note costs to government of proceeding if cost of refinancing of Global Adjustment is recognized as an expense in the fiscal plan of up to $2,534,000,000 in 2017-18, $2,668,000,000 in 2018-19, $2,942,000,000 in 2019-20, $3,420,000,000 in 2020-21 and $3,232,000,000 in 2021-22.

ii. ii. Broadening the Rural or Remote Rate Protection (RRRP) program to mitigate distribution charges for customers of Local Distribution Companies (LDC) with some of the highest distribution rates, and moving the program from a ratepayer funded program to a government funded program beginning in 2017, including:

    a) Harmonizing distribution cost for customers with the highest distribution rates (Hydro One (R1 and R2 rate classes), Algoma Power, Atikokan Hydro, InnPower, Chapleau Public Utilities Commission, Sioux Lookout Hydro, Lakeland Power (Parry Sound service territory) and Northern Ontario Wires Inc) at the lowest distribution rate paid by the average consumer of the LDCs noted by fall 2017.

    b) Note costs estimated at up to $459,000,000 in 2017-18, $472,000,000 in 2018-19, $484,000,000 in 2019-20, and $497,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

c) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.

d) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to broaden RRRP.

e) Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:

- Current program outcomes identified and results achieved to date.
- Establishing program performance management framework including targets for the broadened program now government funded
- Report on and assessment of impacts of consolidation of LDCs
- Assessment of distribution rates and implications for the program

iii. iii. Expanding every benefit level of the Ontario Electricity Support Program by 50%, moving the program from a ratepayer funded program to a government funded program beginning in 2017 and pursuing additional measures to substantially increase take-up.

f) Note costs estimated at up to $186,000,000 in 2017-18, $261,000,000 in 2018-19, $325,000,000 in 2019-20, and $375,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

g) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.

h) Direct the Ministry to work Treasury Board Secretariat (Behavioural Insights Unit, Centre of Excellence for Evidence-Based Decision Making) to accelerate/ maximize program uptake.

i) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to expand OESP.

j) Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:

- Identify eligibility criteria, and refinements being made.
- Current program outcomes identified and results achieved to date.
- Establishing program performance management framework including targets for the expanded program now government funded.

iv. iv. Establishing a new government funded Affordability Fund to provide energy efficiency measures to electricity customers who do not qualify for existing low income conservation programs and who have difficulty paying their electricity bills.

a) Approve to commit up to $200,000,000 on a multi-year basis to support the Affordability Fund.

b) Direct the Ministry to report back to TB/MBC with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.

v. v. Establishing a new province-wide government funded program beginning in 2017 that would eliminate the delivery charge for First Nations customers on reserve.

k) Note costs estimated at up to $20,000,000 in 2017-18, $20,000,000 in 2018-19, $20,000,000 in 2019-20, and $20,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

a) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant Ontario Energy Board estimate of program costs, from $13M to $20M.

b) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.

vi. vi. Expanding the Industrial Conservation Initiative (ICI) by reducing the eligibility threshold to 500kW to enhance competitiveness for Class B electricity consumers beginning July 2017.

a) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, results achieved to date versus expectations, impacts of the change for participation, and impact for ratepayers as costs are recovered from ratepayers.

vii. vii. Direct the Ministry:

a) To work with Treasury Board Secretariat and the Ministry of Finance on the development of a comprehensive risk-based costing, including forecast models and sensitivity tests on assumptions and financial estimates, for the electricity mitigation initiatives.

b) To report back to TB/MBC through regular updates including quarterly reports and the 2018-19 Program Review, Renewal and Transformation (PRRT) on the status of implementation, and revised out-year expenditure requirements if applicable.

c) To continue to work with the Ontario Energy Board, the Independent Electricity System Operator and Ontario Power Generation, through the Long-Term Energy Plan 2017, to further reduce electricity rates across the system.

d) To work with the Ministry of Finance, Treasury Board Secretariat, Cabinet Office and Office of the Premier on an integrated communications strategy.

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From: Ghiassi, Ali (MOF)
Sent: March-01-17 10:52 AM

To: Chaput, Brandon (MOF)
Subject: cabinet minute

Brandon,
Do you have the TB and cabinet minutes for the electricity item?

Ali Ghiassi
Chief of Staff
Minister of Finance
416.314.7479