

Ministry of Energy

Office of the Minister

4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1
Tel.: 416-327-6758
Fax: 416-327-6754

Ministère de l'Énergie

Bureau du ministre

4^e étage, édifice Hearst
900, rue Bay
Toronto ON M7A 2E1
Tél. : 416 327-6758
Télééc. : 416 327-6754



APR 23 2014

MC-2014-1115

Ms Rosemarie T. Leclair
Chair and Chief Executive Officer
Ontario Energy Board
PO Box 2319
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms Leclair:

Re: Requiring the Ontario Energy Board to report on Developing and Implementing an Appropriate Electricity Rate-Affordability Program for Low-Income Electricity Consumers

I write in my capacity as the Minister of Energy in order to exercise the statutory power I have under section 35 of the *Ontario Energy Board Act, 1998* (the "Act") to seek the Ontario Energy Board's advice (the "Board") in the form of a report-back to the Ministry of Energy (the "Ministry") dealing with the issues outlined below.

Background

The *Ontario Clean Energy Benefit Act, 2010* was introduced to help electricity consumers manage electricity prices as the province invests in its transition towards a clean, modern and more reliable electricity system. The Ontario Clean Energy Benefit and a number of conservation initiatives were introduced to help electricity consumers through this price transition as the province made these investments in the system. In addition to these measures, the government has in place a number of benefit programs and tax credits that are designed to assist energy consumers with managing their energy costs.

Low-income consumers face a particular challenge. The electricity bill for a typical household consuming 800 kilowatt hours (kWh) of electricity per month represents eight per cent of the total income of a family with an annual income of \$20,000, and four per cent of the total income of a family with an annual income of \$40,000, while amounting to less than two per cent of the total income of a family with an annual income of \$100,000 or more.

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The government intends to explore opportunities to protect low-income residential electricity consumers, including the potential provision of ongoing ratepayer-funded electricity assistance. Therefore, the Ministry is seeking the assistance of the Board. The Board's economic, financial and distribution sector expertise would be valuable in informing the development of such a program: one that meets the needs of low-income electricity consumers while balancing the need for just and reasonable distribution rates. The program would complement existing programs such as the saveONenergy Home Assistance Program delivered by electricity and natural gas distributors, which provides support to low-income eligible customers to improve the energy efficiency of their homes. That support helps homeowners reduce their energy bills.

Furthermore, in addition to offering direct assistance to low-income electricity consumers, the program would be expected to result in system benefits through fewer disconnections, reduced delinquent account management expenses and fewer bad debt losses for electricity distributors.

Section 35 Report

Therefore, pursuant to my authority under section 35 of the Act, I require the Board to examine and report to me on the following matters:

1. Options for the design, development and implementation of a long-term, ratepayer-funded program (the "Program") which is intended to assist qualifying low-income electricity consumers with their electricity bills. This would include consideration of opportunities to achieve additional system benefits for the ratepayers who are funding the program, potentially through load management or conservation mechanisms. My expectation is that the Program would:
 - be in place on January 1, 2016;
 - provide a similar level of relief to the Ontario Clean Energy Benefit, namely a 10 per cent discount on electricity bills; and,
 - be delivered as a reduction on qualifying consumers' bills.
2. In analyzing and reporting back on the design, development and implementation options for the Program, in addition to such other factors as the Board considers appropriate, the Board shall have regard to the government's comprehensive direction for Ontario's energy future as expressed in Ontario's Long-Term Energy Plan: *Achieving Balance*. The Board should develop Program options in the context of the government's overall plan. In addition, I expect the Board to take into consideration existing programs providing assistance to low-income individuals and households. To this end, I expect the Board to collaborate with government ministries, as well as social service delivery agents, the not-for-profit sector, and associated non-governmental organizations, with experience and expertise in existing social programs, to ensure the Program would complement existing programs. The Ministry is prepared to assist with this collaboration.

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3. Recognizing that the Board would likely be responsible for ensuring the appropriate delivery and implementation of the Program, the Board's report should consider how it would propose to address the development, implementation, funding and delivery aspects of the Program including such issues as:
 - a) Identification of low-income consumers and their needs, including consideration of low-income consumers who do not pay their electricity bills directly and those who use medical equipment requiring electricity, with a view to developing an appropriate definition of "low-income" and options for a range of program eligibility criteria. These would include the use of household income thresholds of \$40,000 and Statistics Canada's Low Income Cut-offs.
 - b) Delivery and intake options for the Program while ensuring program accessibility. Specific consideration should be given to the anticipated consumer participation rates, identification of the role of distributors and social service delivery agents, and their relationships with regard to delivery of the Program.
 - c) Overall cost of the program, including Program benefits and administration, and options for scaling costs up or down.
 - d) Options for funding of the Program through electricity rates and details regarding anticipated low-income consumer benefits and costs to ratepayers.
 - e) Value of anticipated distribution sector savings such as reduced bad debt expense and collection activities. The Board should consider whether there are opportunities to achieve overall system benefits that are advantageous to all ratepayers through mechanisms such as facilitation of load management or conservation goals.
 - f) Implementation options, potential barriers to Program implementation, program uptake and mitigation strategies and consideration of interactions with other assistance programs. The Board shall include an implementation timeline that ensures the Program would be in place by January 1, 2016.
 - g) Process and mechanisms for reviewing the Program, monitoring Program outcomes and measuring Program success.

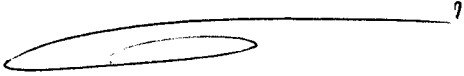
My expectation is that, in order to support the preparation of its report, the Board will seek input from the public, First Nations and Métis communities, as well as key stakeholders, including social service delivery agents, electricity distributors and the Province, on the proposed Program. The Board may also wish to engage and consult with other experts it may deem appropriate.

The Board's examination of the potential options for such a Program should commence as soon as possible. It is my expectation that the report be submitted to the Ministry no later than December 1, 2014.

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As always, I thank you for your co-operation in these matters and look forward to regular updates on your progress.

Sincerely,

A handwritten signature in black ink, consisting of a long horizontal line that curves upwards at the end, with a small loop underneath the start of the line.

Bob Chiarelli
Minister

- c: Hon. Ted McMeekin, Minister of Community and Social Services
Hon. Teresa Piruzza, Minister of Children and Youth Services
Hon. Deborah Matthews, Minister of Health and Long-Term Care
Serge Imbrogno, Deputy Minister, Ministry of Energy
Halyna Perun, Director, Legal Services Branch, Ministries of Energy and Infrastructure