

**Ministry of Energy Response to the Financial Accountability Office's
Report on the Fair Hydro Plan**

The government is currently developing the 2017 Long Term Energy Plan (LTEP) which will include an updated projection of future electricity costs compared to that used in the Financial Accountability Office's (FAO) report. While the Ontario's Fair Hydro Plan does rebalance electricity system costs so that they are shared more evenly fairly over the years ahead, the Ministry of Energy is working closely with other Ministries, the Ontario Energy Board, Ontario Power Generation and the Independent Electricity System Operator to find future system cost savings for ratepayers.

The government has a strong track record of taking significant steps to mitigate system costs, including:

- Renegotiating the Green Energy Investment Agreement (GEIA) in 2013, to reduce contract costs by \$3.7 billion.
- Reducing Feed-in Tariff (FIT) and microFIT prices through annual price reviews, saving ratepayers at least \$1.9 billion.
- Introducing a competitive Large Renewable Procurement (LRP) process to drive down costs approximately \$1.5 billion lower than the 2013 LTEP forecast.
- Suspending the second round of the LRP process and the Energy-from-Waste Standard Offer Program, which is expected to save up to \$3.8 billion in costs.
- Deferring the construction of two new nuclear reactors at Darlington. This was in response to the supply and demand expectations of the 2013 LTEP, avoiding an estimated \$15 billion in new construction costs.
- Maximizing the value of our existing nuclear fleet by starting Bruce refurbishments in 2020, instead of 2016, thus helping to achieve \$1.7 billion in savings relative to the 2013 LTEP forecast and by continuing to operate Pickering up to 2024, pending regulatory approvals, which could save ratepayers as much as \$600 million.

In addition, the FAO's report makes a few errors regarding the funding of electricity cost relief support programs under Ontario's Fair Hydro Plan. The Plan includes enhancements to support programs that provide electricity cost relief to targeted vulnerable consumers. These programs, to be funded by the taxbase, include Rural or Remote Rate Protection, the Ontario Electricity Support Program, and the First Nations Delivery Credit.

The FAO report assumes that these programs would not be funded by the taxbase beyond 2020-21. This finding does not align with the authorities and obligations contained in the legislation ~~This is an incorrect assumption.~~ The Fair Hydro Act, 2017 includes requirements for the Minister of Energy to provide these support programs on an on-going basis, and for these programs to be funded from the taxbase. Previous costs funded by ratepayers would be transitioned to the taxbase, thereby reducing regulatory charge costs for all consumers. The

legislation contains no end date for these programs, and does not allow for the new program enhancements costs to be transitioned to ratepayers. The government intends to provide these taxbased support programs on an enduring basis.

It is also incorrect for the FAO to assume, as in footnote 10 on page 3, that in 2020-21 “the cost of the RRRP may revert back to ratepayers, as described under schedule 2, section 1 of the proposed Bill 132, the Fair Hydro Act, 2017”. ~~This finding does not align with the authorities and obligations contained in the legislation.~~ The legislation enables the Ministry to move existing RRRP costs to the taxbase. If passed, the Ministry intends to introduce a regulation that moves approximately 80 per cent of existing RRRP costs (those currently supporting Hydro One low density customers) to the taxbase. A small portion of RRRP currently supporting Algoma Power and Hydro One Remote Communities is unaffected so as not to disrupt complex regulatory constructs governing this funding. This move will result in a substantial decrease in RRRP regulatory charges to customers, and the Ministry has no intention of returning these costs to the ratebase at any time – as mentioned above, they will be funded from the taxbase on an enduring basis.