

Refinancing the Global Adjustment

Refinancing the Global Adjustment (GA) will provide significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time. The GA covers the cost of providing adequate electricity generating capacity and conservation programs in Ontario. Many of the generating facilities that have been developed recently are expected to operate past their contract life. Refinancing a portion of the Global Adjustment now allows benefits to consumers today. The GA is instrumental in maintaining a reliable electricity system by ensuring that sufficient generating capacity is available.

Rate Smoothing Mechanism

The majority of the province's electricity generators are under 20-year contracts. Many of these generators will continue to provide value to the electricity system beyond their contract lives. There is an opportunity to recognize the long-term benefit of these assets to the electricity system and "bring forward" that benefit for ratepayers today by deferring some of the current costs. GA refinancing would spread these costs over a longer period and provide immediate ratepayer relief. By recognizing that some generation assets are expected to continue to provide residual benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.

The government intends to introduce legislation to enable the IESO and OPG to work together to finance the GA over a longer period of time.

Cost Savings

The average consumer could save approximately **XX** a month for the first five years, including the rebate of an amount equal to the provincial portion of the HST. Cost impacts are based on a forecast for a Toronto Hydro residential consumer that uses 750 kWh per month. Actual ratepayer savings would vary due to differences in consumption patterns and electricity distributors.

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