

Refinancing the Global Adjustment

Ontario's Fair Hydro Plan will lower electricity bills by **25 per cent on average** for all residential consumers in the province. Small businesses and farms will also benefit from the initiative, with additional relief for people with low incomes and those living in rural communities.

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Decades of under-investment in the electricity system by governments of all stripes resulted in the need to make significant investments in generation, transmission and distribution assets. In addition, an important decision was made to eliminate Ontario's use of coal, building clean, renewable supply. Between 2005 and 2015, Ontario invested more than \$50 billion in the electricity system, including \$35 billion in electricity generation to ensure the system is clean and reliable. The costs of these investments were funded in part through the Global Adjustment (GA).

The majority of the province's electricity generators have 20-year contracts. Many of these generators will be able to operate past their contract term, meaning under current financing they will still be in use after they have already been fully paid for by this generation of ratepayers. This places undue strain on ratepayers today, and has resulted in electricity price increases over recent years.

To relieve the current burden on ratepayers and share costs more fairly, a portion of the GA is being refinanced. Refinancing the GA will provide significant and immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA will be financed to reduce pressure on today's electricity ratepayers. In later years, the cost of financing would be recovered from ratepayers. Under current forecasts, the immediate reduction in the GA would be about \$2.5 billion per year on average over the first ten years, for a total accumulated debt of about \$28 billion on a forecast basis. Total interest on debt over the length of the refinancing is estimated to be \$25 billion.

The government intends to introduce legislation that would, if passed, enable the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to refinance the GA over a longer period of time. The legislation would also outline the role for the Ontario Energy Board (OEB).

[Jurisdictional Scan – Insert examples of where this has been done in past]

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