

BACKGROUND

Ministry of Energy

Refinancing the Global Adjustment

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

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 and build 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 are 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 that generating assets are expected to have ongoing useful life and will benefit future ratepayers by reducing the need to finance the development of new generating assets.

To relieve the current burden on ratepayers and share costs more fairly, a portion of the GA is being refinanced. Refinancing the GA would 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 would be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing 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 10 years, with annual interest costs not exceeding \$1.4 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), as it relates to the financing proposal.

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