

Memo:

To: Members of the Ontario Government
From: Tim Gray and Keith Brooks, Environmental Defence
Date: May 18, 2017
Re: Renaming the Clean Energy Adjustment

With the introduction of the *Fair Hydro Plan* it was made public that a charge associated with refinancing the global adjustment (GA) will appear on hydro bills in the mid 2020 as the "Clean Energy Adjustment" and persist there for approximately 20 years or until the costs of refinancing the GA are recouped.

The decision to name this charge the Clean Energy Adjustment is highly problematic and inaccurate. We urge the government to rename the charge.

Calling the charge the Clean Energy Adjustment will reinforce the persistent but erroneous belief that renewable energy contracts are the primary reason that electricity prices have risen over the past decade. While it is true that renewables have played a role, wind and solar power contracts are only one factor. But the "Clean Energy Adjustment" will, for a period of 2 decades, send a monthly message to all electricity consumers in Ontario that the government's foray into green energy is reason their bills are so high.

Calling the charge the "Clean Energy Adjustment" is misleading.

The crux of the government's *Fair Hydro Plan*, and the impetus for the "Clean Energy Adjustment," is the government's plan to refinance the Global Adjustment. But wind and solar power contracts are only a quarter (~25 %) of the costs in the Global Adjustment. The largest cost in the GA is nuclear power.

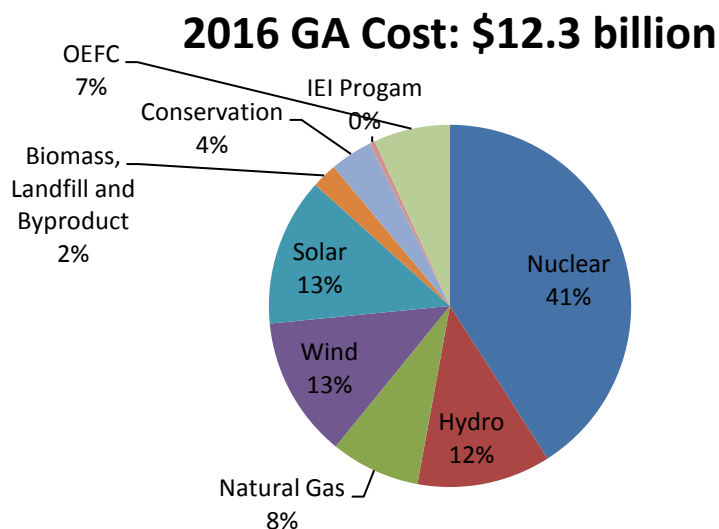
Although some people may view nuclear power as clean energy, and it is true that nuclear is non-emitting, the majority of Ontarians think of wind and solar power when the term clean energy is used. Indeed, for most people, the term clean energy is synonymous with green energy, or renewable energy.

Regardless, we are not making an argument against nuclear power here. Our point is that **by calling the refinancing of the Global Adjustment the Clean Energy Adjustment, the government is giving the impression that the Global Adjustment is dominated by renewable energy costs.**

Effectively, by calling the charge the "Clean Energy Adjustment," the government is setting up a situation where power consumers will get a monthly message that clean energy is too expensive, and the government made a huge mistake with wind and solar contracts that ratepayers are paying for today, and for decades to come.

The Global Adjustment represents the difference between the total contract cost of the various contracts it covers (for the prescribed generating assets, Bruce nuclear, gas plants, renewable generation, CDM, etc.) and the market value of contracted generation. **Contracts for renewable energy are but a small part of the GA.**

The leaked cabinet document recently published by the Toronto Star, and recreated below, shows a breakdown of the GA. Nuclear power is responsible for 41 % of the GA, and wind and solar are responsible for roughly 13 % each.



Recreated from the "Global Adjustment (GA) Smoothing" document obtained by The Toronto Star

On multiple occasions, the government has acknowledged that a number of factors have contributed and will contribute to future electricity price escalation: an unreliable and neglected system, nuclear refurbishments, a mismatch between supply and demand, repeated interventions by government of all stripes to mask the true cost of power in Ontario, and phasing out coal.

We applaud the government for addressing this situation. To better reflect the many investments the government has made in the electricity system and the fact that charge has to do with refinancing of the Global Adjustment which includes costs for nuclear power, hydro, gas, and renewables, please consider the following names for the charge, in place of the Clean Energy Benefit:

- Electricity Modernization Charge
- Electricity Refinancing Charge
- Energy Amortization Adjustment
- Hydro Amortization Adjustment
- Hydro Refinancing Adjustment
- New-financing Adjustment
- Fair Hydro Plan Adjustment
- System Update Adjustment
- System Upgrade Adjustment

Sincerely,

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