Electricity Announcement
Q&As
March 2, 2017

KEY MESSAGES:

- **We are taking decisive action to lower electricity bills for households by 25 per cent on average — the single-largest reduction in Ontario's history.**

- **People with low incomes and those living in rural communities would benefit from even greater savings.**

- **The decision to invest in a clean, modern and reliable electricity system was the right one — but the costs of this decision should not be put on today's electricity bills alone.**

- **We are making fixes to the electricity system to distribute those costs more fairly — and giving people significant savings on their bills that will make a real difference.**

FRENCH KEY MESSAGES:

- **Nous prenons des mesures énergiques pour réduire d'environ vingt-cinq (25) pour cent les factures d'électricité des ménages. Il s'agit de la plus importante réduction dans l'histoire de l'Ontario.**

- **Les personnes à faible revenu et celles qui vivent dans les collectivités rurales pourraient faire des économies encore plus élevées.**

- **La décision d'investir dans un système électrique propre, moderne et fiable était la bonne, mais les coûts de cette décision ne devraient pas figurer uniquement sur les factures actuelles d'électricité.**

- **Nous sommes en train d'apporter des correctifs au système d'électricité de façon à répartir plus justement les coûts et à permettre aux personnes de faire d'importantes économies sur leurs factures. Voilà qui fera toute une différence.**

Top-line QAs

Q. The figure of 25 per cent savings is an average. How much money will a typical household save?

A. When we looked at how to make the system fairer, we wanted to make sure that these measures will benefit everyone.

Some people do need this a lot more, and we have taken that into account.

If you look at the electricity line of the bill, for example, for a typical household connected to Toronto Hydro and consuming 750 kWh per month, the reduction would be 25 per cent in 2017.

The reduction varies depending on a number of factors, including the level of consumption and the local distribution company a consumer is connected to.

Q. Will people's bills look different?

A. Our new plan would increase savings through new initiatives that would cut costs directly on your energy bill.

Most of the components of the plan do not require adjustments to the residential bill. We will work with the Ontario Energy Board (OEB) and Local Distribution Companies (LDCs) to ensure those adjustments that *are* necessary are made to billing systems.

Distribution companies already have experience with the implementation of billing changes.

Q. When will these changes come into effect?

We are looking to implement these changes as soon as possible, so that we can lower rates and take the pressure off people soon. There is a process that we have to follow, which includes introducing legislation.

Pending legislation, changes would enter into effect in summer 2017.

Q. How much will these initiatives cost?

A. We have been making important investments in a cleaner and more reliable energy system. Since 2003, the government invested about $50 billion in electricity generation, transmission and distribution assets, but these investments have led to higher electricity bills.

We have heard from people across the province that the costs of these new investments have increased bills too quickly, which is why we are moving forward with a plan that will ensure costs are shared more evenly and over a longer period of time.

This plan is the biggest rate reduction in Ontario's history. It recognizes that the decision to invest in a clean, modern and reliable system was the right one — but that the costs of this decision should not be put on today's electricity bills alone.

The impact of innovative energy technologies will continue to help us reduce costs in the future. This is allowing us to introduce and expand existing rate relief programs that will reduce bills now.

We estimate the cost of the enhancing the social programs would cost up to $2.5 billion over the next three years.

This spring, we will be releasing the 2017 Long Term Energy Plan (LTEP) which will include a projection of where we think we are headed.

Q. Where is the money for this rate relief plan coming from? Will you still be able to balance the budget?

A. We continue to project a balanced budget by 2017–18 and will provide an update on the fiscal plan in the spring Budget.

We continue to invest in the economy, our people and a healthy, clean and prosperous low-carbon future.

These investments will help enhance the public services that people in Ontario rely on, as well as stimulate economic growth.

Q. You are characterizing these as structural changes. Does this mean the lower rates are permanent, or will rates rise again?

A. We have a robust energy supply and are in a good position to improve efficiency, increase transparency, enhance opportunities for innovation and enhance competition to reduce system costs.

As part of the initiative we are announcing today, rate increases over the next four years would be held to the rate of inflation.

This spring, we will release the 2017 Long Term Energy Plan (LTEP) which will include a projection of where we think we are headed.

Q. When you say you are reducing bills by 25 per cent, you are in fact including the 8 per cent rebate already in place. Is 17 per cent enough?

A. We are introducing the most significant electricity rate relief plan in Ontario's history. We are overhauling the way many families, farms and small businesses are billed for the electricity they use.

And we are doing so by building on measures we have already taken to address electricity costs. This plan would provide substantial rate reductions today and ensure fairness and predictability for tomorrow.

We put in place the 8 per cent and heard clearly that more is needed. That is why we are providing greater relief. We are also making substantive structural changes, through a thoughtful, measured plan that will result in significant savings for people today and a more predictable picture for the future.

Q. What about people who have had their electricity disconnected. What are you doing for them?

A. With unanimous support, we recently passed Bill 95, the Protecting Vulnerable Energy Consumers Act, which empowered the Ontario Energy Board to prohibit winter disconnections. The Board has done this, prohibiting disconnections through April 30th and requiring the reconnection all customers disconnected as a result of payments owed.

Q. There have been calls to get rid of time-of-use rates. Are you considering that?

A. There is a pilot project looking at that, but we do know that time of use provides an overall benefit to the entire province by conserving power during peak demand times.

The plan we are unveiling today provides for substantive structural changes and fairness to the system that will make a different to people's lives right now by significantly lowering electricity bills.

Q. Do these new measures reward the biggest residential consumers?

A. These new measures benefit everyone, regardless of level of consumption.

Through the Fair Hydro Plan, we are providing relief to everyone and also providing additional relief for those who are most in need of support. This support does not increase or decrease based on how much or how little electricity the consumer uses.

Q. Presumably, landlords will benefit from the new rate relief plan. How will you ensure they pass along these savings to their tenants?

A. Tenants who pay their own electricity bills are also able to benefit from the programs. The government is looking at ways to ensure that rate relief can be passed along to tenants that do not receive electricity bills.

Global Adjustment

Q. People have been paying for past investments to make the system cleaner and more reliable. Now, you are spreading these costs over the longer term. Aren't you just offloading costs to future generations?

A. We have been making important investments in a cleaner and more reliable energy system, and we are reaping the benefits of that, but these investments have led to higher electricity bills.

The cost of investments in generation and conservation are funded in part through what is known as the Global Adjustment.

We have heard from people across the province that the costs of these new investments have grown too quickly, which is why we are moving forward with a plan that will ensure costs are distributed more fairly over time. We have a plan that significantly reduces rates today AND ensures fairness and predictability for tomorrow.

Most of Ontario's electricity generators are under 20-year contracts, but many of these facilities will continue to generate power after their contract ends. These are long-term assets for our electricity system. With this plan, we would be bringing forward some of the value of this asset by spreading some of the current costs of these contracts over a longer period.

Q. Won't spreading these costs over more years lead to big rate hikes down the road?

A. Many of the generating facilities that have been developed recently are expected to operate past their contract life. We are recognizing that some generating facilities will continue to provide benefits to future electricity consumers after their contracts end. This would reduce their need for future consumers to finance the development of new generating facilities.

Q. Residential customers just stopped paying the Debt Retirement charge and business and industrial customers are still paying it until 2018. Why are you now adding more debt to ratepayers?

A. We have a plan that significantly reduces rates today AND ensures fairness and predictability for tomorrow.

Most of Ontario's electricity generators are under 20-year contracts, but many of these facilities will continue to generate power after their contract ends. This is a long-term asset for our electricity system. We are bringing forward some of the value of this asset by spreading some of the current costs of these contracts over a longer period. This would reduce the need to finance the development of new generation assets.

Q. How many years will people be paying back the debt that will result from financing the costs? Can you give any guarantees as to how long and how much people will be paying in the future?

A. Our rate relief plan is a significant restructuring of the electricity sector and the biggest rate reduction in Ontario's history.

It recognizes that the decision to invest in a clean, modern and reliable energy system was the right one — but that the costs of this decision should not be put on today's electricity bills alone.

If passed, the proposed legislation would mean this financing would spread costs over a longer period while providing immediate relief on electricity bills.

This spring, we will release the 2017 Long Term Energy Plan which will include a projection of where we think we are headed.

Q. What measures will be in place to ensure this debt is managed with the proper accountability and transparency?

A. Leveraging the expertise of both companies, the government intends to introduce legislation that enables the IESO and Ontario Power Generation (OPG) to work together to manage this financing. The legislation would also outline the role of the Ontario Energy Board (OEB) as it relates to the financing proposal.

Q. Why was Ontario Power Generation chosen as the entity responsible for this financing?

A. OPG has the necessary expertise to assist with the financing.

OPG currently manages an $18-billion nuclear fund and can use its infrastructure and expertise in this field to help administer the longer-term financing.

As an entity regulated by the Ontario Energy Board, OPG also has extensive experience with regulatory deferral and variance accounts.

Delivery charges

Q. Delivery charges have been a big issue for people. Why aren't you eliminating them or lowering them more than you are?

A. We are seeking to lower delivery charges by changing how support programs are funded.

Ontario provides targeted support programs to help to with electricity costs. Up until now, these programs were paid for by electricity rate payers alone. To ensure fairness and save people money, these programs would now be paid for through government funding.

In addition, pending legislation, Ontario is planning changes to the Rural or Remote Electricity Rate Protection Program to lower delivery charges for about 800,000 rural and remote consumers who currently face some of the highest rates. The government also intends to introduce legislation that, if passed, would eliminate the delivery charge for all on-reserve First Nations residential consumers, resulting in an average savings of $85 per month.

Q. How are you changing the way programs are currently funded?

A. As a government, we have been focused on ensuring that our electricity system has been fairer for families living in rural areas or with low incomes.

Programs designed to support customers that are most vulnerable to increasing electricity costs will shift from the hydro bill to government funding, recognizing they are for the common good. This includes the Ontario Electricity Support Program (OESP) and Rural and Remote Rate Protection (RRRP).

The new Affordability Fund and the on-reserve First Nations delivery rate would also be government-funded. This would ensure that initiatives designed to provide a social good would be better aligned with the government's poverty reduction goals.

Program Enhancements

Q. What are you doing for people in rural areas?

A. We currently provide support to around 350,000 rural residential customers through the Rural or Remote Electricity Rate Protection Program (RRRP). We would expand this support to provide rate relief also to customers of local distribution companies (LDCs) with some of the highest rates.

The enhanced program will benefit about 800,000 customers. As an example, a Hydro One low-density customer on electric heat consuming 2,500 kWh/month will see their distribution charge reduced by about $75. Specific rebate amounts will be dependent on Ontario Energy Board rate-setting processes.

We are moving to have the RRRP funded by the tax base, which would reduce regulatory charges on electricity bills for all Ontario ratepayers. We project this will cost about $500 million in the 2017–18 fiscal year.

Q. What are you doing for low-income Ontarians?

A. Through the Fair Hydro Plan, we are providing relief to everyone and also providing additional relief for those who are most in need of support.

This includes expanding the Ontario Energy Support Program, which lowers electricity costs for the most vulnerable customers by providing a rebate directly on their bills. This program — which is income-tested and application-based — uses two scales: basic credits; and an enhanced credit for Indigenous people and for people who use electric heat or certain electrically intensive medical devices.

Under this plan, the eligibility for OESP would be expanded so that more people would be able to receive the credit. We would also increase OESP credits by 50 per cent. Here is what that would mean for people in common situations:

- Single, low-income consumers who receive the lowest credit amount currently receive $30 per month ($360 per year). They would now receive $45 per month ($540 per year)
- Some customers can't avoid using more power because their home is electrically heated or they rely on an approved medical device that uses a lot of electricity. Their credit, currently $45 per month ($540 per year), would rise to $68 per month ($816 per year)
- Families of four who use electric heat would see their credit climb from $55 per month ($660 per year) to $82.50 per month ($990 per year).

We are moving to have the OESP funded by the tax base, which will reduce regulatory charges on electricity bills for all Ontario ratepayers. We project this would cost about $185 million in the 2017–18 fiscal year.

Q. There hasn't been huge uptake of the Ontario Electricity Support Program. What are you doing to increase participation levels in this program?

A. We want to ensure that people receive the support they need and are eligible for. We are taking a number of steps to ensure that as close as possible to 100 per cent of people eligible participate in this program. We are:

- Streamlining the application process to make it easier and quicker to get approval
- Increasing awareness of the program to eligible recipients
- Exploring automatic qualifications for customers who are enrolled in other low-income support programs
- Expanding eligibility for more low-income people in Ontario.

Q. Why not just remove the need to apply for the Ontario Energy Support Program in the first place? Wouldn't that be the best way to increase participation — by automatically reducing bills for lower-income Ontarians?

A. The OESP is delivered by the Ontario Energy Board (OEB), which works with local utilities to ensure that the credit is applied on customer bills every month.

Local utilities and the OEB do not have information on individual customer incomes and so they do not know which customers may be eligible for the OESP.

That's why the OEB also works with the Canada Revenue Agency and 172 intake agency locations across the province to help get customers the relief they need as quickly as possible.

The government is exploring automatic qualifications for customers who are enrolled in other low-income support programs.

Q. Why are you targeting those who are most vulnerable?

A. We understand rising electricity costs are a concern for all people in Ontario and appreciate that low-income Ontarians feel it even more.

We currently offer both the Ontario Electricity Support Program and the Rural and Remote Rate Protection, which offer significant bill reductions to eligible households. As part of our rate relief plan, these programs are being enhanced to ensure vulnerable consumers receive additional support.

We recognize that these programs have social value and benefit vulnerable people across Ontario. So we are shifting these programs from being paid for through electricity bills to being paid for through government funding.

This would reduce bills for everyone, and ensure these programs continue to serve those in need.

For those most in need, low-income programs like the Home Assistance Program help provide energy efficiency upgrades in homes at no cost to help customers reduce future electricity bills and avoid future disconnections.

We recognize that there are other electricity customers who are in need, but who do not qualify as low income, and are addressing this through the Fair Hydro Plan.

Q. What kinds of support will you provide through the new Affordability Fund, and who will be eligible for it?

A. As well as reducing rates for people across Ontario, we are providing additional support to those in need. This includes creating a Local Distribution Company (LDC) Affordability Fund to help electricity customers who cannot qualify for low-income conservation programs.

Distribution companies have been partners in delivering electricity services and conservation programs to Ontarians for more than 10 years. This fund would give them an additional tool to help customers in need. They would use provincial support through this fund to help customers pay for energy-efficiency improvements to reduce their future electricity bills and avoid future disconnections.

We are moving to have the LDC Affordability Fund funded by the government, which will reduce regulatory charges on electricity bills for all Ontario ratepayers. We project this will cost about $200 million in the 2017–18 fiscal year.

Q. How much of the costs of making energy improvements will people eligible for the Affordability Fund have to cover themselves?

A. The fund would provide support of $3,000 to $5,000 per customer, and they would pay minimal costs towards the energy improvements. We estimate this fund would help from 15,000 to 65,000 households.

Q. What are you doing to reduce electricity bills for First Nations people living on reserves?

A. We are providing additional support for people who live on First Nations reserves. We are taking a number of actions recommended by the Ontario Energy Board, including:

- Eliminating the delivery charge for all on-reserve First Nations residential customers and removing the monthly service charge for customers of licensed distributors that charge a bundled rate. The Ontario Energy Board estimates this will provide residential customers an average monthly benefit of $85 (or $1,020 per year)
- Automatically qualifying on-reserve First Nations residential customers — about 21,500 in total
- Enabling greater information sharing between distributors and band councils to identify all on-reserve First Nations customers.

We are moving to have the First Nations On-Reserve Rate funded through the tax base, which would reduce regulatory charges on electricity bills for all Ontario ratepayers. We project this would cost about $20 million in the 2017–18 fiscal year.

Q. **This announcement is only for residential customers. What are you doing for industrial consumers?**

A. Industrial customers will benefit through two initiatives.

A number of important programs such as the Ontario Electricity Support Program (OESP) and the Rural or Remote Rate Protection (RRRP) program would now be funded from provincial revenues instead of by electricity consumers. This will provide savings to industrial customers, who currently fund a portion of these programs.

We are also proposing to expand the Industrial Conservation Initiative (ICI) to include smaller manufacturers with peak demands between 500 kW and 1 MW. ICI provides a strong incentive for participating consumers to shift their electricity consumption to off-peak hours to reduce their bills by about one-third. By reducing the province's peak demand, ICI has the added benefit of deferring the need to build peaking generation. Participating consumers collectively reduced Ontario's peak demand by an estimated 1,000 MW in 2015.

Advertising/transparency bucket:

Q. Why is the government spending money on advertising for this plan when it could be putting those funds toward lowering electricity prices?

A. We are committed to improving the public's understanding of the energy system.

It is important that the people of Ontario know about the decisions we are making so that they can effectively participate in making decisions on how they use energy.

We have been listening to people in all parts of the province and understand that they need us to do more and that's why we are introducing this plan.

The new Fair Hydro Plan will bring in more savings now through new initiatives that will cut costs directly on your energy bill.

Advertising is crucial for raising awareness about government programs and to ensure that all Ontarians are aware of how these programs will impact them.

For the Affordability Fund, targeted outreach is planned, as opposed to broad marketing, to ensure that support is delivered to customers who need it most.

Another resource available to Ontarians is the Ministry of Energy's emPOWERme website, an online resource dedicated to public education about electricity.

Q. Did the government go through the proper approvals process for this advertising campaign? Was this advertising campaign approved by the Auditor General and the Advertising Review Board?

A. We understand the importance of transparency and accountability.

Our advertising campaign has been reviewed and approved by all the proper agencies/parties, including the Auditor General and the Advertising Review Board.

All the necessary approvals and processes were followed during the selection of the advertising agency.