Good Afternoon

After a lot of work and heavy lifting from a number of staff across multiple ministries, our team is pleased to return with an updated electricity price mitigation submission that has been branded the "Fair Hydro Plan".

The core pillars of this submission remain as discussed at the February Caucus Retreat and the helpful and significant Cabinet dialogue two weeks ago.

However, since that time, our team, along with Treasury Board, Finance as well as external legal and accounting experts have had additional time to review and refine our approach – with specific attention paid toward mitigating – to the greatest extent possible the accounting and legal risks discussed last time.

If you would turn to **SLIDE 12** of the deck – you will now see an adjusted and recommended option that would achieve a 25% level of residential bill reduction, while lowering the total accumulated debt burden that had been included into the previous model.

This is achieved by smoothing the first four years at the rate of inflation (2%) and then subsequently allowing an increase of up to 6.5% from 2022 until 2027.

For that period of time (2022 to 2027) allowing for these modest, above core inflation increases will significantly lower the overall debt burden of the global adjustment smoothing approach.

Cabinet will recall that the prior submission included options to borrow up to $38-billion to finance this GA smoothing account. Now, in our recommended model, a lower debt load will result in a maximum of $27.7-billion.

While still significant in total sum, this lower debt burden helps to lower both accounting and legal risks, as we will discuss in a moment.

Also significant, and an important principle for Cabinet, is the narrowing of the "pressure" this plan creates in the out-years.

Where the red-line crosses over the black line in 2028, is the period when future ratepayers begin to pay a more to cover the costs associated with this financing approach.

Again, here we have done some important work to shrink the distance between the red line and the black line. But what's more – our plan includes significant measures to ensure that all participants in the energy and electricity sector – the Ministry, Agencies, Regulator, Generators and LDCs continue to find efficiencies and root out all unnecessary costs in the system.

The goal for the Ministry of Energy will be to implement all measures possible to mitigate rates in such a way as to having the effect of bending that red line down to the current black line.

At a speech I recently gave in Ottawa at the Economic Club of Canada, I began to signal some of the measures that our Ministry and Agencies are implementing to achieve this goal. Namely – Market Reform via the IESO and a continued drive on the part of the Ontario Energy Board to lower costs across LDCs. But we know that these are long-led items and that changes in procurements or regulatory practice today only materialized for ratepayers in the future. For example, the IESO's Market Reform initiative, which requires significant system updates and stakeholder consultations, will be fully implemented by 2021. But by then, it is projected to save an additional $200-million per year for the electricity ratepayer – and those savings grow over time.

And so, these significant wholesale market reform initiatives that are underway now help to underpin why we can afford to undertake this global adjustment smoothing mechanism at this time. Because we have a high degree of confidence that we will be able to bend that red-line in the out-years, and that many of the generating assets under 20 year contract will have life beyond their contract term, we are able to mitigate risk of legal challenge, going forward. I know that the Attorney General will want to address this important point in a moment.

Before I continue, I want to address for a moment the important discussion we had last time about the trade-off between this approach and what some might say is just a more "communications friendly" approach of funding this smoothing through the tax base.

Parking for a moment the impact on the fiscal plan. I would say these costs belong with ratepayers.

We signed 20-year contracts when we now know that the useful life of large generating facilities is at least 10 years longer.

As a result, we front-end loaded billions in new investments in clean generation, and helped Ontario get off coal.

But the way we did it helped to create the pressure that we have faced in recent years. But fundamentally, these costs – the full cost of Global Adjustment belongs to ratepayers – our recommended option is about more evenly and equitably distributing those costs across all those who will benefit – including future ratepayers.

I want to pass for a moment to the Structure – and reference SLIDE 14.

Certainly this chart appears generally the same as what you saw previously.

This is the detailed chart that underlines all of the organizations and relationships that are necessary to effect this transaction.

And as Minister of Energy for the past 8 months, I am happy to admit, that it's taken me a long time to understand this diagram.

The way I think about this diagram is that we have 6 boxes on this chart.

From left to right: LDC's and Private Generators (in green).

The IESO, as system operator and then on the far right – OPG.

The only NEW entity on this page is the OPG TRUST, being created to help manage the borrowing and smoothing mechanism I just discussed.

The Ontario Electricity Financing Corporation and Private Lenders, who would support this Trust already operate in the electricity market today.

So while the diagram is complex, and we can ask Treasury Board staff to review it again for us, allow me a simple analogy.

The OPG Trust is being added to act as a buffer between the electricity system and electricity ratepayers. Like shock absorbers on your car, the trust is being established to lower the volatility and dramatic impact of Global Adjustment today, and distribute the costs more equitably across all those who will benefit, including future ratepayers.

Before we turn it over for questions, I want to ensure that I take just one more moment to highlight the other updates since last time.

Please turn to **SLIDE 31 / 32.** Here we are now bringing forward additional measures to support small manufacturing and industrial consumers that would otherwise continue to be categorized "Class B" industrial rate.

By expanding and lowering the Industrial Conservation Initiative (ICI) we are building on one of the smartest and successful electricity rate mitigation measures we've ever implemented.

It's smart because it helps the system lower costs through conservation, and successful because eligible industrial customers have saves up to a third or more of their electricity costs by participating in this program.

Last year, independent studies showed that current ICI participants helped lower peak electricity demand in Ontario by about 800 MW. That's the equivalent of one nuclear unit.

By expanding this program to more eligible participants, we are going to put business in the drivers' seat by – allowing them more control over their input cost – in the case of electricity.

Motivated firms will participate and save and as you conserve more (on peak days) – those firms will save more.

Now, to help support the extension of this program to smaller manufacturing customers (below 1MW), we are working with all partners in the sector – including the Ontario Chambers of Commerce to educate SME' s about this significant initiative.

Finally, turning now to **SLIDE 67** – you will note that we continue to plan for significant contribution from the fiscal plan to bring fairness to those electricity consumers in highest cost LDCs.

About $2,5-billion over the next three years will be added to the approximately $1,1-billion dedicated already via the HST cut.

This funding will help ensure fairness by enhancing and expanding the rural or remote ratepayer protection plan; by expanding the Ontario Electricity Support Program; by adopting the OEB's recommendations regarding an on-reserve First Nations delivery rate relief plan; and by the establishment of an Affordability Fund to help customers who fall outside the traditional low-income categories to be eligible for important conservation savings programs.

These are significant programs that will help over 800,000 electricity customers with their hydro bills and these measures are above and beyond the smoothing of the global adjustment, discussed earlier.

This is a significant contribution from the fiscal plan and we all know the need to be judicious and prudent as we track our path to balance. I want to thank Ministry of Finance and Minister Sousa in particular as we have navigated this process.

Finally, a robust communications plan has been crafted, but I would note that is the subject of our evening Caucus meeting tonight.

So, I'd like to pause here and ensure we have appropriate time for questions and robust discussion.