Fair Hydro Plan Legislation Coming into Effect – Confidential Advice to Minister
Ministry of Energy – Questions and Answers
Date: June 28 2017
Last reviewed: CRED, SNAP, ESP, IGS, Legal

Fair Hydro Plan QA'S

Key Messages

- **The OFHP legislation, supporting regulation and amendments to existing legislation (e.g., Electricity Act and Ontario Energy Board Act) enabled implementation of the following key components of the plan:**

  1. **Refinancing the Global Adjustment (GA) – The legislation outlines how costs will be fairly allocated among eligible consumers over time.**

  2. **Helping Vulnerable Electricity Consumers – The legislation broadens the Rural or Remote Protection Program (RRRP), expands the Ontario Electricity Support Program (OESP) and established a new On-Reserve First Nation Delivery Credit. The legislation also allows for these programs to be funded through the tax base.**

- **Ontario is committed to keeping electricity in Ontario clean, reliable and affordable.**

- **We've been making important investments in a cleaner and more reliable energy system for today and tomorrow.**

- **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.**

- **Ontario's Fair Hydro Plan (OFHP) brings in new initiatives that cut costs directly on your energy bill and ensure costs are shared more evenly over the years ahead.**

- **We are taking decisive action by lowering electricity bills for households by 25 per cent on average. The Plan includes the eight per cent rebate introduced in January and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills. Taken together, these measures are the single largest reduction in Ontario's history.**

- **People with low incomes and those living in eligible rural or remote communities will receive even greater savings – as much as 40-50 per cent**

- **These are significant bill savings that will make a real difference.**

- **Ontario's Fair Hydro Plan includes:**

  - **Refinancing the Global Adjustment (GA) over a longer term period. Electricity consumers that are eligible for the 8 per cent rebate are also eligible for GA refinancing, including all residential consumers, most small businesses, farms, long-term care homes and condominiums.**
  - **Helping vulnerable electricity consumers by enhancing electricity support programs and shifting costs off the electricity bill, including:**
    - **Expanding the Ontario Electricity Support Program (OESP) to provide greater help for more people in need.**

- **Establishing a new Affordability Fund which will provide energy efficiency measures to Ontarians who are not eligible the Save on Energy [Home Assistance Program,] and who have difficulty paying their electricity bills and are otherwise unable to make energy efficiency improvements without financial assistance.**
- **Broadening distribution rate protection to provide on-bill relief for rural customers paying the highest distribution charges in the province.**
- **Expanding the OESP, which provides relief directly on the bills of low-income consumers who have applied and meet the eligibility criteria. The expansion increased OESP credits by 50 per cent and will allow more Ontarians to benefit from the program.**
- **Establishing a new On-Reserve First Nations Delivery Credit to eliminate delivery charges for all First Nations people living on reserve.**

- **Expanding the Industrial Conservation Initiative (ICI), to include electricity consumers in the manufacturing and greenhouse sectors with an average monthly peak demand of greater than 500 kW and less than 1 MW, in addition to the consumers over 1 MW who are already eligible.**

- **Improving sector efficiency and modernizing Ontario's electricity market, working in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).Any rate increases over four years will be held to the rate of inflation.**

- **To implement the OFHP legislation, the Ministry has prepared legislation and regulations. In crafting this legislation, we have consulted broadly with experts across government, external accounting experts and legal advisors, financial advisors, and Local Distribution Companies (LDCs).**

- **Our government had previously put forth a series of measures to help make life more affordable, effective January 1, 2017. These included:**

  - **Introducing a rebate equal to the provincial portion of the HST to reduce bills by 8 per cent pre-tax;**

  - **Additional relief for eligible rural and remote customers through the expansion of Rural or Remote Rate Protection (RRRP); and**

  - **Expanding the Industrial Conservation Initiative (ICI), by lowering the threshold from 3 MW to 1 MW and removing sector restrictions.**

Questions and Answers

Fair Hydro Plan Overview

Q1. There are a number of different pieces to your Fair Hydro Plan. Can you please explain how these new and existing initiatives will help electricity ratepayers?

Over the last decade the government has rebuilt our transmission and distribution grid, invested in clean generation, and closed the last coal-fired power plant. Prices have increased because our energy system is being transformed – more than $50 billion has been invested to modernize the electricity system.

The government has heard from Ontarians 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 would ensure costs are shared more evenly over the years ahead.

Ontario's Fair Hydro Plan provides new measures to lower electricity bills by 25 per cent on average for residential consumers and hold increases to the rate of inflation for the next four years, as well as initiatives to reduce costs for businesses. The plan includes the 8 per cent rebate introduced in January 2017 and builds on previously announced initiatives to deliver broad-based rate relief on all electricity bills.

Ontario's Fair Hydro Plan includes:

- Refinancing the Global Adjustment (GA) over a longer time period. Electricity consumers that are eligible for the 8 per cent rebate are also eligible for GA refinancing, including all residential consumers, farms, most small businesses, long-term care homes and condominiums.
- Helping vulnerable electricity consumers by enhancing electricity support programs. Eligible consumers will receive additional funding through assistance programs including:
    - Establishing a new Affordability Fund which will provide energy efficiency measures to Ontarians who are not eligible for the Home Assistance Program, and who are otherwise unable to make energy efficiency improvements without financial assistance.
    - Broadening Rural or Remote Rate Protection (RRRP) to provide distribution charge relief for the customers of the local distribution companies (LDC's) with the highest distribution charges.
    - Expanding the Ontario Electricity Support Program (OESP) by increasing the monthly on-bill credit amounts by 50% and broadening eligibility so more people can participate.
    - Establishing a new On-Reserve First Nations Delivery Credit.

- Expanding ICI to include smaller manufacturers and greenhouses between 500 kW and 1 MW, in addition to the large consumers over 1 MW who are already eligible.

- Shifting cost recovery for RRRP and OESP from electricity bills to provincial revenues, lowering regulatory charges for everyone by approximately $3/MWh.

- Improving sector efficiency and modernizing Ontario's electricity market, working in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).

- Any rate increases over four years will be held to the rate of inflation.

Q2. How much will these initiatives cost?

To relieve the current burden on consumers, two streams of initiatives have been undertaken.

In the early years, a portion of the costs covered by the Global Adjustment (GA) will be refinanced to reduce pressure on today's electricity consumers. In later years, the cost of financing will be recovered from consumers.

Under current forecasts, the immediate reduction in the GA will be about $2.5 billion per year on average over the first 10 years, with annual interest costs not exceeding $1.4 billion.

Secondly, the province has expanded existing rate relief programs.

A number of important programs such as the Ontario Electricity Support Program (OESP) and the Rural or Remote Rate Protection (RRRP) Program will now be funded from provincial revenues instead of by electricity consumers. The province is also launching a new Affordability Fund, enhancing distribution rate protection and the existing OESP and providing on-reserve First Nations households with a delivery credit. Combined, these new measures will cost the government up to $2.5 billion over the next three years.

We are developing the 2017 Long Term Energy Plan (LTEP) which will include a projection of future electricity costs.

Q3. I just received my electricity bill (it's July) and I don't see 25 per cent in savings compared to last month. Why not?

Ontario's Fair Hydro Plan (OFHP) has put forth new measures to lower electricity bills by 25 per cent on average for households and hold increases to the rate of inflation for four years, as well as initiatives to reduce costs for businesses.

The plan includes the 8 per cent rebate introduced in January 2017. On May 1, 2017, new, lower Regulated Price Plan (RPP) prices took effect, bringing the total reduction to 17 per cent. In determining the May 2017 RPP prices, the Ontario Energy Board (OEB) has made its own independent determination to partially reflect the measures that were proposed under OFHP, pending the passage of enabling legislation.

As a result of the *Fair Hydro Act, 2017* achieving Royal Assent on June 1st, the OEB updated RPP prices again to reflect the full benefit of GA refinancing, increasing savings from 17 to 25 per cent on average for residential consumers.

The new prices are effective as of July 1st. This means that the new prices apply to electricity consumption that occurs on July 1st and thereafter. RPP customers will see the full reduction when they receive their bill for the July 2017 billing period.

Q4. What took you so long? How are you just realizing this now?

Ontario's Fair Hydro Plan will address long-standing policy challenges and ensure greater fairness over the next three decades. It is crucial that we get it right.

While the government has taken steps to address rates with targeted relief and support programs - it was not enough.

We have heard from Ontarians across the province that the price of electricity has risen too quickly, which is why we are moving forward with a plan that would ensure the costs are shared more evenly over the years ahead.

Ontario's Fair Hydro Plan will lower electricity bills by 25 per cent on average for residential consumers and hold increases to the rate of inflation for four years. As many as half a million small businesses and farms will also benefit from the reduction. These measures include the 8 per cent rebate introduced in January and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills.

Lower-income Ontarians and those living in eligible rural communities will receive even greater reductions, as much as 40 to 50 per cent.

Taken together, these changes will deliver the single largest reduction to electricity rates in Ontario's history.

Q5. How is this different from what was done in the past?

This is a significant change that represents a fair solution to an issue that's been unfairly placed on one generation of ratepayers. This is not a temporary solution, and it does not sacrifice investments in the energy system. To relieve the current burden on ratepayers and share costs more fairly, a portion of the Global Adjustment (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.

Q6. Isn't artificially freezing rates what got us into trouble in the first place?

As Ontario invested in renewing our electricity system, the government invested in many new generating facilities, most of which operate under 20-year contracts. Some of these generators are expected to provide value to the electricity system beyond their contract lives. There is an opportunity to recognize the long-term benefit of these assets to the electricity system and “bring forward” that benefit for ratepayers today by deferring some of the current costs.

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.

This is a significant change that represents a fair solution to an issue that’s been unfairly placed on one generation. This is not a temporary solution, and it does not sacrifice investments in the energy system.

Q7. The figure of 25 per cent savings is for a typical residential consumer. How much money are households actually saving?

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

Ontario’s Fair Hydro Plan (OFHP) will lower electricity bills by 25 per cent on average for residential consumers and hold increases to the rate of inflation for four years. The reduction reflects a number of initiatives, including the refinancing of a portion of the Global Adjustment (GA), the shifting of cost recovery for electricity support programs from electricity bills to provincial revenues, and the 8 per cent rebate introduced in January.

Consistent with the proxy used in the 2010 Long-Term Energy Plan, 2013 Long-Term Energy Plan and the 2016 Ontario Planning Outlook, the impacts of GA refinancing are calculated based on a typical residential consumer connected to Toronto Hydro. It is assumed that the consumer uses 750 kWh of electricity per month – the average household consumption used by the Ontario Energy Board.

Actual impacts will be slightly above or below the level determined for the proxy, depending on how much electricity you use and the rates charged by your local distribution company.

Q8. There are a lot of variables here – what is the chance this legislation won’t work as planned? Were there any outside experts that agreed with what you are doing?

In crafting the *Fair Hydro Act, 2017* the government consulted broadly, including with:

- Ontario’s Energy Agencies
- Experts across government
- External accounting experts
- External legal advisors
- Financial advisors
- Local Distribution Companies

This legislation delivers on the Government’s commitment to fairness, and electricity prices are coming down to make life more affordable for families and businesses across the province.

Q9. How did you decide how much to reduce rates by – 25 per cent, 40 per cent, 50 per cent, etc.?

The government is committed to ensuring that the costs of our investments are allocated fairly among present and future generations, which is why a portion of the GA is being refinanced.

GA is the mechanism which recovers the cost of running Ontario's generation fleet, as well as the cost of conservation programs. As Ontario invested in renewing our electricity system, the government invested in many new generating facilities, most of which operate under 20-year contracts. Some of these generators are expected to provide value to the electricity system beyond their contract lives. There is an opportunity to recognize the long-term benefit of these assets to the electricity system and "bring forward" that benefit for ratepayers today by deferring some of the current costs.

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.

When combined with the 8 per cent rebate and shifting social programs to the tax base, the result is a 25 per cent average bill reduction for residential consumers that will make a real difference in peoples' household budgets.

Q10. Will people's bills look different?

Most of the components of the plan do not require adjustments to the appearance of residential electricity bills.

We have worked with the Ontario Energy Board (OEB) and Local Distribution Companies (LDCs) to ensure necessary changes are made to billing systems to reflect the impact of these initiatives.

LDCs already have experience with the implementation of billing changes like those associated with the OCEB and the Ontario Electricity Support Program (OESP).

Q11. You are characterizing these as structural changes. Does this mean the lower rates are permanent, or will rates rise again?

Ontario's Fair Hydro Plan provides immediate relief by reducing electricity bills by 25 per cent on average for all residential consumers. As many as half a million small businesses and farms will also benefit. It then holds rates to inflation for 4 years, managing affordability in the medium-term. In later years, the cost of refinancing will be recovered from ratepayers.

The Province's 2017 Long-Term Energy Plan will then focus on continuing to take additional costs out of the system, and address affordability beyond the short and medium term. We have a robust energy supply and are in a good position to improve efficiency, increase transparency, enhance opportunities for innovation and competition to reduce system costs.

For example, the Independent Electricity System Operator's (IESO) Market Renewal Initiative will result in a more efficient marketplace with competitive and transparent mechanisms that meet future system needs at the lowest cost. The project is expected to save up to $5.2 billion over a 10-year period, and forms a key component of Ontario's plan to ensure electricity bills the affordability of electricity.

Q12. Why isn't the 4-year inflation part of the plan in the legislation? Why can't you commit to this promise via legislation?

Regulations offer the flexibility to respond to potential fluctuations in inflation rates in any given year.

The *Fair Hydro Act, 2017,* allows future increases to electricity bills to be set by regulation. This enables the government's commitment to hold increases, for four years, to the rate of inflation. By including this measure in regulation, it offers the Province flexibility to respond to potential fluctuations in inflation rates in any given year.

Q13. You say you'll hold rates to increases of only inflation for 4 years – assuming that's 2 per cent that brings you back to an 8 per cent increase over those 4 years. How will that help Ontarians?

Ontario's Fair Hydro Plan provides immediate relief by reducing electricity bills by 25 per cent on average for all residential consumers. As many as half a million small businesses and farms will also benefit. It then holds rates to inflation for 4 years, managing affordability in the medium-term. In later years, the cost of refinancing will be recovered from ratepayers.

The Province's 2017 Long-Term Energy Plan will focus on continuing to take additional costs out of the system, and address affordability beyond the short and medium term. We have a robust energy supply and are in a good position to improve efficiency, increase transparency, enhance opportunities for innovation and competition to reduce system costs.

For example, IESO's Market Renewal Initiative will result in a more efficient marketplace with competitive and transparent mechanisms that meet future system needs at the lowest cost. The project is expected to save up to $5.2 billion over a 10-year period, and forms a key component of Ontario's plan to ensure the affordability of electricity.

Q14. When will the 'Fair Hydro Plan' expire?

Ontario's Fair Hydro Plan will lower rates by 25 per cent on average across the province for all residential customers. As many as half a million small businesses and farms will also benefit. Increases will be held to the rate of inflation for four years.

Under GA refinancing, initial analysis indicates that borrowing would occur for about 10 years. Initial analysis indicates that it is currently anticipated that loans will begin to be paid back in the mid-to-late 2020s. The exact timing will be determined by the markets and other factors as we strive to balance costs and benefits in the fairest way possible. This is a significant change that represents a fair solution to an issue that has unfairly burdened current electricity ratepayers. This does not sacrifice investments in the energy system. We're changing the way electricity costs are recovered, and moving funding for social programs off of hydro bills. This plan is delivering the biggest rate reduction in Ontario's history.

Q15. How long are you talking about refinancing for?

The plan will spread costs over a 30-year period. This is a more fair approach that more accurately reflects the lifespan of our generation assets, and spreads the cost out among those people who will use them.

Q16. Why are you saddling our kids with billions of dollars of debt?

In the past few years we've invested more than 50 billion dollars in electricity infrastructure – new dams in the south, new towers in the north, and we plan to spend 13 billion dollars to refurbish nuclear power plants. These are enormously important assets that meet the demand for cleaner and reliable power everywhere in the province.

But we asked one generation – today's generation – to unfairly shoulder the burden of nearly all those costs. We had to play catch-up and we asked today's ratepayers to cover nearly the whole tab.

Think of it in terms of a mortgage. We needed to rebuild the system and so we went to the bank for that money. The mistake we made was setting terms that weren't fair – particularly the amortization. Instead of paying off the mortgage over 30 years, we agreed to a term of 20. That means we pay things down faster. But the monthly mortgage payments – or, in this case, your electricity bills – are higher. And it doesn't really make sense since that house – or in this case the electricity system – is an asset that will continue to benefit people far past that ten year window. In effect, this generation is subsidizing not just those who came before, but those who will come next.

It was a mistake – and it has been notably unfair on today's electricity users. So we're fixing that.

We're renegotiating the mortgage and setting a new term that stretches over a longer period. Over time, it will cost a bit more. And it will take longer to pay off. But it is fairer – because it doesn't ask this generation of electricity customers alone to pay the freight. The burden now will be shared more evenly and more appropriately.

Q17. Doesn't this lower the incentive to conserve energy? It's against all your conservation efforts.

Our government remains committed to putting conservation first. Conservation is good public policy - it empowers individuals to lower their own bills, while reducing system costs and saving all Ontarians the cost of new generation and transmission infrastructure.

We will continue to encourage and support ratepayers who are looking to lower their bills through conservation, by providing incentives and rebates through saveONenergy programs.

Q18. Will you negotiate an additional 5 per cent off bills with the federal government?

This is up to the federal government.

Q19. Why not just legislate contracts on the private sector generators?

We have already negotiated where we could - Samsung saved an estimated $3.7 billion in costs. We also received independent expert advice that said if we were to renegotiate, not only is it completely uncertain if we would get benefits, but the benefits would be negligible compared to the systemic changes we announced today.

The renegotiation process would be extremely complex and lengthy, and the advice we received stated that it is very unclear that the end result would be in the interest of ratepayers without any form of taxpayer subsidy.

The potential positive impacts are extremely small, not to mention potential litigation.

Q20. Why are you saying an average of 25 per cent? Are some getting 50 per cent while others get 0%?

Ontario's Fair Hydro Plan will lower electricity bills by 25 per cent on average for residential consumers and hold increases to the rate of inflation for four years. Electricity rates in Ontario are coming down significantly and everyone will benefit. Actual savings could be more or less depending on consumption and local distribution company (LDC).

The cut is going to all households that pay for electricity. There will be no asterisks, no loop holes and no exceptions. And for those living in eligible rural or remote communities or with low incomes the break is even greater – up to 40 or 50 per cent.

Q21. How can you ensure this is feasible? What if interest rates go up and it impacts your borrowing?

The government has built in conservative estimates in our financial calculations. There's always a chance that interest rates rise or fall, but we are confident that we built in the necessary buffer in our estimates by using higher rates than are currently forecasted.

Q22. Are any proceeds from cap and trade being used for the relief package? NGOs have been asking.

No.

Q23. Did you speed this through at the end of the legislative session to avoid scrutiny?

Our promise has been to deliver real rate relief to Ontarians by this summer. We have consulted extensively with experts within and outside of government to craft a solution that is delivering substantial rate reductions to all households, and as many as 500,000 small businesses and farms.

Hydro One Rate Application

Q24. How will Hydro One's rate application affect Ontario's Fair Hydro Plan's decrease in rates, and hold them to inflation for four years?

Regardless of the outcome of the OEB's process, Hydro One customers will not see an increase to their bills relative to what they would have been without the initiatives that are part of Ontario's Fair Hydro Plan. We've been clear that Ontarians will see a significant decrease in their overall bills this summer through Ontario's Fair Hydro Plan.

Our Fair Hydro Plan provides immediate relief by reducing electricity bills by 25 per cent on average for all Ontarians - up to 40-50 per cent for those living in eligible rural or remote communities or with low incomes. It then holds rates to inflation for four years, managing affordability in the medium-term.

The inflationary increases will be calculated based on a "proxy" consumer. The proxy consumer was chosen to align with previous forecasts such as the 2010 Long-Term Energy Plan, 2013 Long-Term Energy Plan and the 2016 Ontario Planning Outlook. These forecasts were based on a residential consumer connected to Toronto Hydro.

It is assumed that the proxy consumer uses 750kWh per month – the average household consumption used by the Ontario Energy Board (OEB).

Actual impacts will be slightly above or below the level determined for the proxy, depending on consumption and LDC.

Hydro One – like all utilities in Ontario – does not have the power to set its own distribution rates. It must submit an application with the Ontario Energy Board (OEB), an independent, quasi-judicial body with a mandate to protect Ontario energy consumers. The OEB does not approve all applications.

Q25. Under Ontario's Fair Hydro Plan, any rate increase granted to Hydro One R1 and R2 would be offset by the OFHP, since they are within the 8 most expensive LDC jurisdictions.

Yes, distribution costs for R1 and R2 costs, under Ontario's Fair Hydro Plan (OFHP), would be limited to the maximum distribution charge as set by the Ontario Energy Board (OEB). Monthly costs in excess of this maximum would be covered by the tax-base.

Hydro One is still coming forward with its request for rate increases as OFHP does not stop the application process – utilities still need to apply for an adjustment to their rates when needed. This application for Hydro One is for five years (i.e., 2018 – 2022).

Q26. What about Hydro One urban customers?

Ontario's Fair Hydro Plan will lower electricity bills by 25 per cent on average for residential consumers, and hold increases to the rate of inflation for four years. RRRP and enhanced distribution rate protection under Ontario's Fair Hydro Plan is targeted to customers in eligible rural or remote areas who pay higher distribution rates.

Q27. Is it possible a rate increase would affect the savings that eligible electricity consumers will receive from Ontario Fair Hydro Plan (OFHP)? Or will government cover any increases to guarantee they do not rise beyond inflation?

The customers of the 8 LDCs designated to receive enhanced distribution rate protection will receive additional savings on the delivery line of their bills through Ontario's Fair Hydro Plan (OFHP).

All other consumers pay OEB-approved distribution rates. Under OFHP, customers will see immediate savings this summer and any future increases will be held to the rate of inflation. The inflationary increases will be calculated based on a typical consumer connected to Toronto Hydro, consuming 750kWh per month. Actual increases will be slightly above or below this level, depending on consumption and LDC.

Leaked Document

Q28. The document circulated by the Official Opposition indicates that rates in Ontario will spike once again come 2022. The document suggests that average monthly bills will rise 6.5 per cent a year from 2022 to 2027 and are forecasted to jump 10.5 per cent the year after when they will hit $195. Is this information accurate, if not, what are the projected increases?

The government has been working hard to reduce electricity ratepayer costs and will continue to look for efficiencies in the system wherever possible without compromising the reliability of our system.

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. Moving forward however, there are opportunities to mitigate system costs and consumer electricity prices.

We have already taken several steps to mitigate system costs, including:

- Renegotiating the Green Energy Investment Agreement (GEIA) in 2013, to reduce contract costs by $3.7 billion.
- Reducing Feed-in Tariff (FIT) prices through annual price reviews, saving ratepayers at least $1.9 billion.
- Introducing a competitive Large Renewable Procurement (LRP) process to drive down costs approximately $1.5 billion lower than the 2013 LTEP forecast.
- Suspending the second round of the LRP process and the Energy-from-Waste Standard Offer Program, resulting in up to $3.8 billion in savings, relative to the 2013 LTEP forecast.

- Limiting the Feed-In Tariff (FIT) 5 procurement target to 150 MW and suspending future FIT procurements - resulting in savings of up to $129 M.

- Deferring the construction of two new nuclear reactors at Darlington. This was in response to the supply and demand expectations of the 2013 LTEP, avoiding an estimated $15 billion in new construction costs.

- Maximizing the value of our existing nuclear fleet by starting Bruce refurbishments in 2020, instead of 2016, thus helping to achieve $1.7 billion in savings relative to the 2013 LTEP forecast and by continuing to operate Pickering up to 2024, pending regulatory approvals, which could save ratepayers as much as $600 million.

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 further reduce system costs.

The 2017 Long-Term Energy Plan (LTEP) will include a projection of future electricity costs.

We look forward to working closely with the OEB, OPG and IESO to find even more savings for ratepayers.

Fair and Clean Energy Adjustment

Q29. The Government has always insisted that the Ontario Energy Board (OEB) is a quasi-judicial organization that is responsible for setting electricity rates in Ontario. Does this legislation effectively take that power out of their hands?

The Ontario Energy Board (OEB) is continuing to play an important role under the *Fair Hydro Act, 2017*. The legislation provides authority to ensure that Ontario's Fair Hydro Plan can be properly and effectively put in place to give consumers the price reductions this government has promised.

In the early years, it is intended that a portion of the costs covered by the GA will be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing will be recovered through adjustments to consumer invoices.

The OEB will continue to play its important role as regulator for the electricity sector. In particular, it will continue to set commodity rates for Regulated Price Plan (RPP) consumers, including any cost reductions under the OFHP in the near term.

The OEB will determine the required adjustments to consumer invoices to recover deferred GA amounts. The OEB will also be responsible for approving administrative fees related to certain activities in respect of the GA refinancing.

Global Adjustment & Debt Refinancing

Q30. What is the Global Adjustment (GA)?

The Global Adjustment (GA) accounts for the fixed costs of running Ontario's generation fleet, as well as the cost of conservation programs.

The GA is instrumental in maintaining a reliable electricity system by ensuring that sufficient generating capacity is available.

Q31. What changes have you made to the GA?

We have heard from Ontarians across the province that the price of electricity has risen too quickly, which is why we are moving forward with a plan that will ensure the costs are shared more evenly over the years ahead.

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.

Actual ratepayer savings will vary depending on consumption and local distribution company.

If asked for more detail:

The majority of the province’s electricity generators are under 20-year contracts. Some of these generators are expected to provide value to the electricity system beyond 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.

GA refinancing will spread these costs over a longer period and provide immediate ratepayer relief. In the early years, a portion of the costs covered by the GA will be refinanced to reduce pressure on today’s electricity ratepayers. In later years, the cost of refinancing will be recovered from ratepayers.

Q32. How much debt are you borrowing?

The last decade has seen massive investments in improving our system. These costs need to be recovered, but it needs to be fair.

Part of that means moving the cost of social programs from the rate base to the tax base, and expanding support to certain vulnerable groups. The fiscal impact of this move would be $2.5 billion over the next three years - this cost is additional to our expenditure on the 8 per cent rebate.

And part of that means sharing some of the costs of these investments with the future ratepayers who will continue to benefit from them. This element – the GA refinancing – is not expected to impact the fiscal plan.

Initial analysis indicates that the accumulated debt would not exceed $28 billion, including interest.

Q33. What will be the total interest paid on the accumulated debt?

Initial analysis indicates that total interest will not exceed $25 billion.

Q34. Will all ratepayers (residential, commercial, industrial) benefit from the changes to the GA? If so, what kind of savings will a typical ratepayer see on their monthly bill?

Ontario's Fair Hydro Plan will lower electricity bills by 25 per cent on average for residential consumers and hold increases to the rate of inflation for four years. As many as half a million small businesses and farms will also benefit.

Electricity consumers that are eligible for the 8 per cent rebate are also eligible for GA refinancing, including all residential consumers, farms, most small businesses, long-term care homes and condominiums.

Actual savings will vary depending on consumption and local distribution company.

Q35. How will the changes to the affect the Hourly Ontario Electricity Price (HOEP)? Are there impacts that could affect pricing for certain customers?

The function of the wholesale electricity market will not change and the Hourly Ontario Electricity Price will continue to be set as normal.

Q36. How does the borrowing work? In tranches?

The *Fair Hydro Act, 2017* enables the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This will be accomplished through refinancing a portion of the Global Adjustment (GA), resulting in significant and immediate rate reductions.

Under the legislation, OPG will develop a financing plan, which sets out the funding obligations and amounts related to the financing of the deferred GA amounts. This plan will be submitted to the Minister of Energy. The Ontario Energy Board (OEB) will continue its role as regulator for the electricity sector. In particular, it will continue to set commodity rates for Regulated Price Plan (RPP) consumers, including cost reductions under the *Fair Hydro Act, 2017*. Debt and financing costs will be recovered through adjustments to consumer bills.

Borrowing is expected to be done in tranches, as set out in the Financing Plan developed by OPG.

Q37. Why was OPG chosen as the entity responsible for the GA financing?

Ontario Power Generation (OPG) has the necessary financing and commercial expertise to assist with refinancing the Global Adjustment (GA).

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

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

Q38. What happens if the OEB doesn't allow OPG/IESO to recover the exact amount it has borrowed? Will this saddle us with more unwanted debt?

The *Fair Hydro Act, 2017* is written to prevent such a scenario. The Act, together with amendments to the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998*, will enable Ontario Power Generation (OPG), the Ontario Energy Board (OEB), and the Independent Electricity System Operator (IESO) to address payment, settlement and cost-recovery obligations and to manage the refinanced GA costs. The transaction is expected to be fiscally neutral to the province.

Q39. Is there going to be a new CEO of this OPG entity?

The financing entity would be managed by a board appointed by OPG.

OPG has a great deal of experience managing the risks associated with borrowing through their experience developing capital-intensive generation projects as well as their management of Nuclear Funds.

Q40. Is this entity within OPG or IESO?

Leveraging the expertise of both companies, the government has passed legislation that will enable the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to finance certain clean energy costs within the global adjustment over a longer period of time.

OPG, in its role as Financial Services Manager, would create the appropriate entity within which to manage its Financing Plan. Under the legislation, OPG will develop a financing plan, which sets out the funding obligations and amounts related to the financing of the deferred Global Adjustment (GA) amounts. This plan would be submitted to the Minister of Energy. The Ontario Energy Board (OEB) will be responsible for approving administrative fees related to OPG's role as Financial Services Manager (FSM) in respect of the GA refinancing.

Q41. Does this financing entity report in to the government?

The entity would be directly accountable to OPG.

Q42. What accountability measures and oversight will government have over the OPG financing entity?

While OPG would have independence in appointing the board of the financing entity, OPG is ultimately accountable to its sole shareholder, the Minister of Energy.

Q43. Will you take advantage of the OFA's borrowing rates? Or will OPG secure their own?

OPG would finance the deferral of Global Adjustment through a mix of OFA financing and external private sector financing.

Q44. Could this level of borrowing/refinancing ultimately affect Ontario's credit rating?

The refinancing of the Global Adjustment will take place only within the electricity system – current ratepayers would pay less now, and future ratepayers in turn will help to pay for their fair share of the significant investments we've made to build a clean and reliable electricity system, free of burning dirty coal.

The refinancing is not expected to impact the fiscal plan.

Q45. What do you expect to happen after 4 years?

Based on current modelling, we project that borrowing will continue for about 10 years. Initial analysis indicates that it is currently anticipated that consumers will begin to repay the borrowed amount in the mid-to-late 2020s. The exact timing will be determined by the markets and other factors as we strive to balance costs and benefits in the fairest way possible.

In the meantime, the government and our agencies are working hard to reduce system costs and to give consumers more choice. The IESO is embarking on a Market Renewal project to improve the way we procure and dispatch energy, which will save costs. And the OEB is piloting different TOU rates to give customers greater flexibility in how they consume and pay for electricity. These measures will help ensure the affordability of electricity in Ontario.

Q46. What if financiers don't want to buy your debt?

In crafting the proposed Ontario Fair Hydro Plan Act, 2017 the government has consulted broadly, including with:

- Ontario's Energy Agencies
- Experts across government
- External accounting experts
- External legal advisors
- Financial advisors
- Local Distribution Companies

The legislation is delivering on the Government's commitment to fairness, and electricity rates will come down and make life more affordable for families and businesses across the province.

Q47. You say you want to ensure fairness for this generation – how can you ensure fairness for our kids and grandkids if you're borrowing billions?

Future generations will be paying their fair share for a system they will be benefiting from in their lifetime. Not only will they benefit from a reliable electricity system, but from the cleaner air from the reduction of coal-fired generation.

The proposed Fair Hydro Plan acts much like taking out a new mortgage – providing much-needed relief now by spreading costs across the life of our assets. Current ratepayers will pay less now, and future ratepayers in turn help to pay for their fair share of the significant investments we've made to build a clean and reliable electricity system, free of burning dirty coal. This more fairly shares the cost of our investments across the generations of electricity ratepayers who will benefit from them.

Q48. Who will be responsible for the accumulated debt of GA financing? The ratepayers or the taxpayers? Will it contribute to the province's debt?

The government is dedicated to reducing electricity costs wherever possible, while maintaining reliability for all consumers.

With Ontario's Fair Hydro Plan and as a result of the government's prudent fiscal management, the Ontario government is delivering on its commitment to balance the budget this year, recognizing that balance provides the foundation for the long-term well-being and prosperity of Ontarians.

To relieve the current burden on ratepayers and share costs more fairly, a portion of the GA is being refinanced. Refinancing the Global Adjustment (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, it is intended that a portion of the costs covered by the GA will be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing will be recovered from ratepayers.

Q49. People have been paying for 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?

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.

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. We are bringing forward some of the value of these assets by spreading some of the current costs of these contracts over a longer period.

Q50. Won't spreading these costs over more years lead to big rate hikes down the road?

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 will reduce the need for future consumers to finance the development of new generating facilities.

Ontario's Fair Hydro Plan (OFHP) provides immediate relief by reducing electricity bills by 25 per cent on average for all residential consumers. As many as half a million small businesses and farms will also benefit. It then holds rates to inflation for 4 years, managing affordability in the medium-term. In later years, the cost of refinancing will be recovered from ratepayers.

The Province's 2017 Long-Term Energy Plan (2017 LTEP) will then focus on continuing to take additional costs out of the system, and address affordability beyond the short and medium term. We have a robust energy supply and are in a good position to improve efficiency, increase transparency, enhance opportunities for innovation and competition to reduce system costs.

For example, IESO's Market Renewal initiative will result in a more efficient marketplace with competitive and transparent mechanisms that meet future system needs at the lowest cost. The project is expected to save up to $5.2 billion over a 10-year period, and forms a key component of Ontario's plan to ensure the affordability of electricity.

Q51. Residential customers just stopped paying the Debt Retirement Charge (DRC) and business and industrial customers are still paying it until 2018. Why are you now adding more debt to ratepayers?

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. We are bringing forward some of the value of these assets by spreading some of the current costs of these contracts over a longer period. This will reduce the need to finance the development of new generation assets.

Program Enhancements

Q52. Ontario's Fair Hydro Plan will also bring savings to Ontario consumers through electricity support programs. What are these programs and who will benefit?

Eligible consumers will receive additional funding through assistance and conservation programs including:

- Establishing a new Affordability Fund which will provide energy efficiency measures to Ontarians who are not eligible for the Home Assistance Program, and who are otherwise unable to make energy efficiency improvements without financial assistance.
- Broadening Rural or Remote Electricity Rate Protection (RRRP) to provide Delivery Charge Relief for the customers of the local distribution companies (LDC's) with the highest delivery charges.
- Expanding the Ontario Electricity Support Program (OESP) by increasing the monthly on-bill credit amounts by 50% and broadening eligibility so more people can participate.

- Removing the delivery charge from the bills of on-reserve First Nations customers.

Q53. Why aren't you targeting relief to those who need it most instead of providing breaks to everyone?

We understand rising electricity costs are a concern for all Ontarians and appreciate that low-income Ontarians feel it even more. While all communities will benefit, we've taken extra steps protect the most vulnerable.

We currently offer both the Ontario Electricity Support Program (OESP) and the Rural and Remote Rate Protection (RRRP) program, which offer significant on-bill benefits to eligible households. As part of Ontario's Fair Hydro Plan (OFHP), these programs have been enhanced to ensure vulnerable consumers receive additional support.

For those most in need, low-income programs like the Home Assistance Program 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 helping address this through establishing the Affordability Fund.

Q54. How have changed the way programs are funded?

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 have shifted 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 Nation delivery rate will also be government-funded. This ensures that initiatives designed to provide a social good will be better aligned with the government's poverty reduction goals.

Q55.The FHP is only for residential customers. What are you doing for industrial consumers?

Industrial consumers are benefitting through two initiatives.

The Ontario Electricity Support Program (OESP) and the Rural or Remote Rate Protection (RRRP) program are now funded from provincial revenues instead of by electricity consumers. This will provide savings to consumers of all sizes of including industrial customers.

We have also expanded 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 reduce consumption during peak hours. 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 1,300 MW in 2016.

OESP

Q56. What are you doing for low-income Ontarians?

Through Ontario's Fair Hydro Plan (OFHP), 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 Electricity Support Program (OESP), 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 as their primary source of energy or certain electrically intensive medical devices.

Effective May 1, 2017, the eligibility for OESP expanded so that more Ontarians can receive the credit. OESP credits also increased by 50 per cent. Here is what that means for OESP recipients:

- Single, low-income consumers who receive the lowest credit amount received $30 per month ($360 per year). They will now receive $45 per month ($540 per year).

- There is also an enhanced credit for customers with unique electricity requirements, including electric heating, certain medical devices that use a lot of electricity, or Indigenous customers.

- For a single, low-income customer eligible for the enhanced credit, the amount is growing from $45 per month ($540 per year) to $68 per month ($816 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.

Q57. There hasn't been huge uptake of the Ontario Electricity Support Program (OESP). What are you doing to increase participation levels in this program?

We want to ensure that people receive the support they need and are eligible for, and are taking a number of steps to increase participation in this program. This includes using a range of media to increase public awareness of the program to eligible recipients.

- Also, effective May 1, 2017, OESP credit amounts increased by 50 per cent and additional eligibility categories were added to benefit more low-income consumers in Ontario.
- Government is also working to streamline the delivery of OESP with other social assistance programs, making it easier and quicker to enrol in OESP.

Q58. Can you provide more details about each of these existing programs? What is the Ontario Electricity Support Program (OESP)? Who was eligible to receive the OESP and how much did the average household receive before these new measures?

The government recognizes that that the price of electricity can be difficult for those that pay a higher share of their income towards the bill – particularly low-income families and seniors on a fixed income.

For many low-income Ontarians, paying their electricity bill can be a challenge, with this monthly expense representing a greater portion of their income.

That is why the Ontario Energy Board (OEB) developed the Ontario Electricity Support Program (OESP), which provides an ongoing rate reduction directly on the bills of low-income electricity consumers who have applied and meet the eligibility requirements.

Before these measures were in place, OESP monthly credits ranged from $30 to $50. A household receiving the lowest OESP credit would receive $360 per year off their bills, or $425 per year when combined with the removal of the Debt Retirement Charge (DRC).

Customers with unique electricity needs, such as customers using electric heating, customers relying on certain electricity intensive medical devices, and First Nation, Inuk, and Métis customers were eligible for an enhanced amount, ranging from $45 to $75 per monthly bill.

Q59. How was the Ontario Electricity Support Program (OESP) funded? How has that changed? And why have you shifted the cost to government funding?

As a government, we've been focused on ensuring that our electricity system has been fairer for families with low-incomes.

Funding for programs designed to support customers that are most vulnerable to increasing electricity costs has shifted 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 Nation Delivery Rate will also be delivered using government funding. This ensures that initiatives designed to provide a social good will be better aligned with the government's poverty reduction goals.

Q60. How much is the monthly on-bill credit as a result of these changes?

As part of the Fair Hydro Plan, OESP program benefits have increased across the board by 50 per cent.

For example, single low income consumers eligible for the lowest credit amount receive $45 per month, an increase from $30, or an increase of $180 per year. For the enhanced credit, the lowest credit for single low income consumers increased from $45 to $68, or an annual increase of $276.

Q61. Where will this money come from? How is this different from the old OESP funding model?

The OESP is a rate relief program that supports low-income customers through a per kilowatt-hour charge on every customer's electricity bills.

The government recognizes that that the price of electricity can be difficult for those that pay a higher share of their income towards the bill – particularly low-income families and seniors on a fixed income. For many low-income Ontarians, paying their electricity bill can be a challenge, with this monthly expense representing a greater portion of their income.

This legislation means that greater focus and support can be placed on lower income Ontarians by enhancing the OESP through government funding, including a 50% increase in OESP credit amounts across the board.

This change reduces costs for all consumers as a result of eliminating the OESP charge:

- Average residential customer savings: $0.83/month; and
- Average industrial customer savings: $1.10/MWh.

Q62. When will I see the additional credit on my electricity bill?

The credit took effect as of May 1, 2017.

Q63. Will the additional credit be applied retroactively, i.e., to the date I received my first OESP credit?

The OESP started January 1, 2016, when the Ontario Clean Energy Benefit (OCEB) ended.

Existing customers automatically receive the 50 per cent increase in credit amount, effective May 1, 2017.

Q64. Can consumers who did not sign up for the program when it was launched in November 2015 sign up now? What is the deadline?

Customers can apply for the OESP any time.

There is no application deadline, but the sooner customers apply and are accepted into the OESP, the sooner they will begin to receive the on-bill credits.

Q65. How are you making these changes to the OESP? Are they a result of legislative changes? Regulation changes?

Changes to the OESP were made through amendments to the *Ontario Energy Board Act, 1998* (OEBA), and through regulation O. Reg. 314/15.

RRRP

Q66. What are you doing for people in rural areas?

We currently provide support to roughly 350,000 rural residential customers through the Rural or Remote Electricity Rate Protection Program (RRRP). We will 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 total. As an example, a Hydro One low density customer on electric heat consuming 2,500kWh/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 will reduce regulatory charges on electricity bills for all Ontario ratepayers. We project this will cost about $500 million in the 2017–18 fiscal year.

Q67. What is the Rural or Remote Rate Protection (RRRP) plan? Who was eligible to receive the RRRP and how much does the average household receive?

The Delivery charge on consumer bills includes the cost of delivering electricity from generating stations across the Province to homes and businesses via the high voltage (transmission) and low voltage (distribution) electricity systems and also includes the cost of distribution system losses.

The cost of distributing power to lower-density rural and remote areas is much higher than for urban and higher density areas.

To help offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations, eligible customers receive a credit off their bills under the Rural or Remote Rate Protection (RRRP) framework.

Under the FHP, customers served by the following LDCs would benefit from the expanded RRRP include: Hydro One R2 and R1 customers, Northern Ontario Wires, Lakeland Parry Sound, Chapleau, Sioux Lookout, InnPower, Atikokan and Algoma

Q68. The Rural or Remote Rate Protection (RRRP) was recently updated on January 1, 2017. What kind of relief does it provide to ratepayers?

In recognition of the unique and special circumstances associated with the electricity cost-of-service for rural ratepayers, effective January 1, 2017, the province is reducing costs for eligible rural ratepayers by providing additional funding to the RRRP program.

Starting on January 1, 2017, 330,000 Hydro One low density (R2 class) customers began receiving $60.50 per month in RRRP. This amount will now increase due to our Fair Hydro Plan expansion.

Q69. What further changes have you made to the Rural or Remote Rate Protection (RRRP) as a result of Ontario's Fair Hydro Plan?

Delivery Charge Relief will be provided for the customers of the local distribution companies (LDCs) with the highest delivery charges.

In addition to RRRP, which mitigates the specific costs related to low-density distribution service, Delivery Charge Relief has been broadened to harmonize distribution costs at the lowest rate amongst the eligible LDCs – eliminating some of the inequities caused by variation in distribution rates across the Province.

About 800,000 customers will benefit from the enhanced RRRP program.

Q70. How is this different from the old Rural or Remote Rate Protection (RRRP) funding model?

RRRP funding was collected from all Ontario electricity customers through a regulated charge. To help reduce costs for all customers, RRRP and the broadened Delivery charge relief is now funded through the tax base instead of on electricity bills.

Q71. How will enhancing the Rural or Remote Rate Protection (RRRP) through government funding reduce costs?

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

We recognize that programs, such as the RRRP, are for the common good and that these programs should be delivered to Ontarians through government funding and not through electricity ratepayers.

Q72. When will I see the additional savings on my electricity bill? Will the additional savings be applied retroactively, i.e., to the date I received my initial Rural or Remote Rate Protection (RRRP) rebate?

Broadened RRRP will take effect on July 1st 2017.

Q73. How are you making these changes to the Rural or Remote Rate Protection (RRRP)? Are they a result of legislative changes? Regulation changes?

Changes to the RRRP were made through amendments to the *Ontario Energy Board Act, 1998* (OEBA). Regulatory amendments were also made to implement program details.

Q74. How will industrial customer be affected by this Rural or Remote Rate Protection (RRRP) enhancement?

Industrial customers will not be affected by this RRRP enhancement, though they will experience cost decreases as a result of a reduction in the RRRP regulated charge that all customers currently pay.

The Affordability Fund

Q75. The new Fair Hydro Plan includes two new social and conservation initiatives: On-Reserve First Nations Rate and the Affordability Fund. Can you provide more details about the Affordability Fund and its status?

For those most in need, the Save on Energy Home Assistance Program provides home energy efficiency upgrades at no cost to low-income electricity customers to help reduce future electricity bills.

We recognize that there are other electricity customers who are in need but do not meet the Home Assistance Program eligibility criteria. The Affordability Fund will provide energy efficiency measures to those Ontarians who are not eligible for the Home Assistance Program, and who are otherwise unable to make energy efficiency improvements without financial assistance. Energy efficiency improvements can help customers reduce future electricity bills and avoid future disconnections.

In March 2017, the Ministry of Energy entered into an agreement with an independent Trust to administer the Affordability Fund. The Trust will be responsible for distributing funds to electricity distributors across the province based on an application process and targeted eligibility criteria. The Trust's Board includes representation from three electricity distributors, two social service agencies and the Ministry of Energy (one non-voting representative).

It is anticipated that electricity distributors will be able to start applying to the Trust for funding later this summer.

Q76. Who will be eligible to receive funding and how much will the average household receive?

The Fund will be administered by an independent Trust and accessible to electricity distributors.

Electricity distributors will apply to the Fund administrator for funding to offer energy efficiency measures to those customers in their service territories that meet the targeted eligibility criteria, to be established by the Affordability Fund Trust.

Recipients could receive measures ranging from an average of $3,000 to $5,000 per customer, at no or minimal cost. For example, measures available in the Home Assistance Program include:

- Energy-saving light bulbs (LEDs); power bars; energy efficient window ACs, refrigerators, freezers, dehumidifiers; low-flow showerheads, hot water blankets, pipe wrap and faucet aerators (in homes with electric water heating);
- Programmable thermostats, weather stripping, insulation (in homes with electric heating); and
- Cold climate air source heat pumps would also be an eligible measure under the Affordability Fund for eligible customers. Heat pumps range in cost from $7,000 to 13,000.

Q77. How is the Affordability Fund being funded? Where is the money coming from?

We will be helping electricity customers by expanding access to energy efficiency measures through an Affordability Fund. The Fund has been established with government funding.

Q78. How are you establishing this new social program? Is it a result of legislative changes? Regulation changes?

Legislative or regulatory changes are not required to establish the Affordability Fund.

The province has worked with Hydro One to establish an independent Trust to administer the Affordability Fund, which will be accessible by electricity distributors. Electricity distributors are best positioned to identify and target their customers who would benefit from this program.

The Affordability Fund will provide electricity distributors with an additional tool to help customers who are not eligible for low-income conservation programs.

The conservation measures provided through the Affordability Fund will be funded by government.

On-Reserve First Nations Rate

Q79. What are you doing to reduce electricity bills for First Nations people living on reserves?

- We are providing additional support for people who live on First Nations reserves by eliminating the delivery charge for all on-reserve First Nations residential customers. We are also 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.

Q80. Who will be eligible to receive funding and how much will the average household receive?

Eligible customers would receive an average of $85/month through the On-Reserve First Nations Rate. Based on Ontario Energy Board estimates, roughly 21,500 customers are eligible for this program. LDCs are working to ensure that they have the information required to automatically enroll eligible customers into the program.

Q81. How will the On-Reserve First Nation Rate be funded? Where will the money come from?

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

Q82. How are you establishing this new social program? Is it a result of legislative changes? Regulation changes?

Legislative amendments and new regulations have established the framework for the program, which will launch on July 1, 2017.

Q83. Can the new On-Reserve First Nations Rate be combined with the OESP? Will a First Nations consumer be eligible for the On-Reserve First Nations Rate and continue to receive the OESP benefit? Is there a possibility that the combined funding sources could add up to an amount greater than the actual electricity bill?

The OESP enhanced credit is available to all eligible indigenous customers in the province, regardless of where they live. This includes First Nation, Inuit, and Métis customers.

The On-Reserve First Nations Rate applies only to First Nation customers living on a reserve in Ontario.

These programs will be treated as distinct, as they are designed to address different energy cost issues. Thus, customers eligible for both programs will receive credits under both programs.

Market Renewal

Q84. How are you planning on bending the cost curve in the future? If more can be done to reduce rates now, why haven't you already acted?

The government has been working hard to reduce electricity ratepayer costs and will continue to look for efficiencies in the system wherever possible without compromising the reliability of our system. We have already taken several steps to mitigate system costs, including:

- Renegotiating the Green Energy Investment Agreement (GEIA) in 2013, to reduce contract costs by $3.7 billion.

- Reducing Feed-in Tariff (FIT) prices through annual price reviews, saving ratepayers at least $1.9 billion.

- Introducing a competitive Large Renewable Procurement (LRP) process to drive down costs approximately $1.5 billion lower than the 2013 LTEP forecast.

- Suspending the second round of the LRP process and the Energy-from-Waste Standard Offer Program, resulting in up to $3.8 billion in savings, relative to the 2013 LTEP forecast.
- Limiting the Feed-In Tariff (FIT) 5 procurement target to 150 MW and suspending future FIT procurements - resulting in savings of up to $129 M.

- Deferring the construction of two new nuclear reactors at Darlington. This was in response to the supply and demand expectations of the 2013 LTEP, avoiding an estimated $15 billion in new construction costs.

- Maximizing the value of our existing nuclear fleet by starting Bruce refurbishments in 2020, instead of 2016, thus helping to achieve $1.7 billion in savings relative to the 2013 LTEP forecast and by continuing to operate Pickering up to 2024, pending regulatory approvals, which could save ratepayers as much as $600 million.

Ontario's Fair Hydro Plan provides immediate relief by reducing electricity bills by 25 per cent on average for all residential consumers. As many as half a million small businesses and farms will also benefit. It then holds rates to inflation for 4 years, managing affordability in the medium-term. In later years, the cost of refinancing will be recovered from ratepayers.

This is a significant change that represents a fair solution to an issue that's been unfairly placed on one generation. This is not a temporary solution, and it does not sacrifice investments in the energy system.

The Province's 2017 Long-Term Energy Plan will focus on continuing to take additional costs out of the system, and address affordability beyond the short and medium term. We have a robust energy supply and are in a good position to improve efficiency, increase transparency, and enhance opportunities for innovation and competition to reduce system costs. That is why Ontario's Fair Hydro Plan includes improving sector efficiency and modernizing Ontario's electricity market, building on the collaboration of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).

For example, the IESO's Market Renewal initiative will result in a more efficient marketplace with competitive and transparent mechanisms that meet future system needs at the lowest cost. The project is expected to save up to $5.2 billion over a 10-year period, and forms a key component of Ontario's plan to ensure the affordability of electricity.

Q85. Can you provide details on what the OEB will be doing to help lower future costs?

The Ontario Energy Board (OEB) has a mandate to regulate the electricity distribution sector in the public interest, ensuring the financial viability of the sector while promoting reliable service to customers at just and reasonable rates.

The OEB, through the Renewed Regulatory Framework for Energy (RRFE), has attempted to move the distribution sector towards a performance/outcomes-based regulatory framework.

While new reporting requirements such as the local distribution company (LDC) performance scorecard are positive developments, RRFE does not tie these system performance expectations to LDC financial performance.

Encouraging shared partnerships on services between utilities will help reduce costs in the back end and encourage further innovation for small to medium sized utilities.

The Ministry of Energy has asked the OEB to look at opportunities to further drive LDC efficiencies and productivity. In parallel, the OEB has been instructed to review business cases behind its own regulatory requirements to reduce "red tape" and eliminate costs that LDCs indicate are creating pressures on operating expenses.

Q86. We have already heard the Minister speak about the need for market renewal. What has been done to move forward these initiatives?

As our electricity system continues to evolve, IESO is leading the Market Renewal initiative to develop an ambitious set of initiatives to fundamentally redesign Ontario's electricity markets and ensure future energy needs are met in a reliable, flexible and cost effective manner.

Through the work of the Electricity Market Forum, the Market Surveillance Panel, IESO studies and stakeholder input, we have been able to identify areas of our electricity system that could improve their efficiency.

The objective of IESO's Market Renewal initiative is to implement changes to achieve material efficiencies in the near and longer term with minimal disruption to market participants. The initial findings from the Market Renewal benefits case show potential for cost savings that will be realized by both consumers and market participants.

Cost savings are expected to be achieved through the better utilization of existing assets, greater competition among resources, a reduced need to build new resources, and a more flexible and cost-effective procurement process that will better reflect system needs.

The IESO's Market Renewal initiative is expected to deliver net benefits of up to $5.2 billion over a ten year period, starting in 2021. The project therefore forms a key component of Ontario's Fair Hydro Plan to bring down the cost of electricity in the province. Stakeholders have been engaged in Market Renewal from the outset and will continue to provide important feedback as the program moves into the detailed design phase.

Municipalities, Schools, and Hospitals

Q87. Is the MUSH sector eligible for Ontario's Fair Hydro Plan?

Most municipalities, university, schools and hospital (MUSH) electricity consumers are not eligible for the Global Adjustment (GA) refinancing portion of Ontario's Fair Hydro Plan as they are generally too large to be eligible for the Regulated Price Plan (RRP) and are not eligible for 8 per cent rebate under the *Ontario Rebate for Electricity Consumers Act, 2016,* with which eligibility for GA refinancing has been aligned.

Consumers of all sizes, including MUSH consumers, are benefitting from shifting the funding for electricity support programs (i.e., OESP and RRRP) to provincial revenues, lowering regulatory charges for everyone by approximately $3/MWh, or 2-4 per cent.

Q88. Do Long-Term Care homes qualify for the benefits from Global Adjustment (GA) refinancing outlined in Ontario's Fair Hydro Plan? They're already eligible for the 8 per cent rebate that took effect on January 1, 2017.

Although Long-Term Care homes are not generally eligible for the Regulated Price Plan (RPP), a policy decision was taken to specifically extend eligibility for the 8 per cent rebate to Long-Term Care homes through the enabling legislation.

Consistent with the 8 per cent rebate, Long-Term Care homes are eligible for GA refinancing.

Advertising

Commented [HA(1]: Section Approved by legal

Q89. How much is the government spending on advertising for this latest round of price mitigation initiatives?

This is an ongoing initiative, and the total amount spent on advertising for the OFHP will be made available in the next release of the Government of Ontario's public accounts, and will also be reported by the Auditor General.

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.

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

We continue to assess the need for future public awareness activity.

Q90. Is the Auditor General going to agree with all of this accounting?

We can't presuppose the work of the Auditor General (AG). The government worked closely with both internal government and external accounting experts. The Ministry of Energy has met with the AG to discuss Ontario's Fair Hydro Plan, and continues to work to ensure all of the appropriate public sector accounting standards are met.

In crafting the Fair Hydro Act, 2017 the government has consulted broadly, including with:

- Ontario's Energy Agencies
- Experts across government
- External accounting experts
- External legal advisors
- Financial advisors
- Local Distribution Companies

The legislation delivers on the Government's commitment to fairness, and electricity rates will come down and make life more affordable for families and businesses across the province.

Q91. Was a competitive competition held to select the advertising agency in charge of the campaign?

The advertising agency chosen to help our government raise awareness on these new initiatives is an approved Vendor of Record, with considerable experience in the energy sector.

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

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

Q92. Why is the government spending money on advertising for this plan when it could be putting those funds toward lowering electricity prices?

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.

FAO Report

Q93. The Financial Accountability Office (FAO) Estimates that Ontario's Fair Hydro Plan (OFHP) will cost the Province approximately $45 billion over 29 years, while providing overall savings to electricity ratepayers of $24 billion. With such a significant cost, how can the government possibly justify this plan?

Over the last decade Ontario has rebuilt our transmission and distribution grid, invested in clean generation, and closed the last coal-fired power plant. Prices have increased because our energy system is being transformed – more than $50 billion has been invested to modernize the electricity system.

But we asked one generation – today's generation – to unfairly shoulder the burden of a large portion of those costs. We had to play catch-up and we asked today's ratepayers to cover nearly the whole tab.

We have heard from Ontarians across the province that the costs of these new investments have grown too quickly, which is why we have moved forward with a plan that will ensure costs are shared more evenly over the years ahead.

Q94. The report states that: "the electricity cost refinancing initiative does not smooth out the cost of electricity." Does the Ministry have any comment on the FAO's assertion that starting in 2028; the pre-tax cost of electricity is projected to be on average 12% higher than It would have been under the status quo?

These figures were estimates made by the FAO based on a number of variables, including the cost of borrowing. The report itself concludes by saying “the FAO’s estimates are subject to many assumptions and uncertainties … Fiscal impact may differ significantly from the FAO’s estimates.”

There is a good deal of uncertainty related to the costs and composition of the electricity sector. Over time, uncertainty grows as supply mix, commodity prices and demand levels become more difficult to forecast.

We have heard from Ontarians across the province that the costs of new investments have grown too quickly, which is why we are moving forward with a plan that will ensure costs are shared more evenly over the years ahead.

This is why Ontario has passed legislation that will lower electricity bills by 25 per cent on average for all residential customers. Many small businesses and farms will also benefit from the initiative. As part of this plan, rate increases for four years would be held to the rate of inflation.

Q95. Could the provincial cost of this plan really increase to between $69 and $93 billion?

These figures were estimates made by the FAO based on a number of variables, including the cost of borrowing. The report itself concludes by saying “the FAO’s estimates are subject to many assumptions and uncertainties … Fiscal impact may differ significantly from the FAO’s estimates.”

To relieve the current burden on consumers, two streams of initiatives are being undertaken.

In the early years, a portion of GA costs will be financed to reduce pressure on today’s electricity consumers. In later years, the cost of financing will be recovered from consumers.

Under initial government forecasts, the immediate reduction in the GA was about $2.5 billion per year on average over the first 10 years, with annual interest costs not exceeding $1.4 billion.

Second. The province is proposing to introduce rate relief programs and expand existing ones.

A number of important programs such as the Ontario Electricity Support Program (OESP) and the Rural or Remote Rate Protection (RRRP) program will now be funded from provincial revenues instead of by electricity consumers. The province is also launching a new Affordability Fund, enhancing the existing OESP and providing on-reserve First Nations with a delivery credit. Combined, these new measures would cost the government up to $2.5 billion over the next three years.

The government has been working hard to reduce electricity ratepayer costs and will continue to look for efficiencies in the system wherever possible without compromising the reliability of our system. The Province's 2017 Long-Term Energy Plan will focus on continuing to take additional costs out of the system, and address affordability beyond the short and medium term. We have a robust energy supply and are in a good position to improve efficiency, increase transparency, and enhance opportunities for innovation and competition to reduce system costs. That is why Ontario's Fair Hydro Plan includes improving sector efficiency and modernizing Ontario's electricity market, building on the collaboration of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).

For example, the IESO's Market Renewal initiative will result in a more efficient marketplace with competitive and transparent mechanisms that meet future system needs at the lowest cost. The project is expected to save up to $5.2 billion over a 10-year period, and forms a key component of Ontario's plan to ensure the affordability of electricity.

Q96. The FAO estimates that the ratepayer will repay $39.4 billion from 2028 to 2045, $21 billion of which is interest alone. So every dollar saved will in effect be paid back twice. Can you confirm these numbers?

These figures were part of an estimate by the FAO that include a number of variables. The report itself concludes by saying "the FAO's estimates are subject to many assumptions and uncertainties … Fiscal impact may differ significantly from the FAO's estimates."

Over the last decade Ontario has rebuilt our transmission and distribution grid, invested in clean generation, and closed the last coal-fired power plant. Prices have increased because our energy system is being transformed – more than $50 billion has been invested to modernize the electricity system.

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.

But we asked one generation – today's generation – to unfairly shoulder the burden of a large portion of those costs. We had to play catch-up and we asked today's ratepayers to cover nearly the whole tab.

We have heard from Ontarians across the province that the costs of these new investments have grown too quickly, which is why we have moved forward with a plan that would ensure costs are shared more evenly over the years ahead.

Q97. Why is the FAO saying that "the RRRP may revert back to ratepayers, as described under schedule 2, section 1 of the proposed Bill 132, the Fair Hydro Act, 2017."

This is an erroneous assumption made by the FAO, not any reflection of government plans or policy.

The existing RRRP program provides support to Hydro One R2 customers, as well as customers in Algoma Power and remote communities. The Fair Hydro Plan announced that the Ministry intends, through legislation and regulation, to move RRRP costs for Hydro One R2 consumers from the ratebase to the taxbase. This represents roughly 80 per cent of current RRRP costs. Costs associated with providing support to Algoma Power and Hydro One Remote Communities are unaffected by this proposal, in order to not disrupt complex regulatory constructs governing this funding.

To allow the Ministry to implement this intent, the legislation allows for current RRRP costs to be funded through both the taxbase and the ratebase (with this division to be articulated in regulation). The regulations will specify that Hydro One R2 costs will be paid for by the taxbase, and there is no intention to return Hydro One R2 costs to the ratebase at any point.

Costs associated with the broadened RRRP program (referred to in the legislation as Distribution Rate Protection under Schedule 2 Section 4) can only be placed on the taxbase. Therefore the Ministry disagrees with the FAO assessment that there is potential for the program to revert back to the ratebase in the future.

Q98. The FAO report assumes that in 2020-2021 electricity relief programs will no longer be funded by the province. Why was this not outlined in the Fair Hydro Act? Has the government been hiding this from us all along?

This is an erroneous assumption made by the FAO, not any reflection of government plans or policy. Our government is proud of the program enhancements it will be providing Ontarians through Ontario's Fair Hydro Plan (OFHP).

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 have shifted 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 Nation delivery rate will also be government-funded. This ensures that initiatives designed to provide a social good will be better aligned with the government's poverty reduction goals.

Q99. The Auditor General claims that her office's advice was not sought on the proper accounting under the public sector. Did the government consult the AG on this legislation?

The government worked closely with both internal government and external accounting experts. The Ministry of Energy has met with the AG to discuss Ontario's Fair Hydro Plan, and continues to work to ensure all appropriate public sector accounting standards are met.

In crafting the proposed *Fair Hydro Act, 2017* the government has consulted broadly, including with:

- Ontario's Energy Agencies

- Experts across government
- External accounting experts
- External legal advisors
- Financial advisors
- Local Distribution Companies

The legislation delivers on the Government's commitment to fairness, and electricity rates will come down and make life more affordable for families and businesses across the province.

Delivery charges

Q100. Delivery charges have been a big issue for people. Why aren't you eliminating them or lowering them more than you are?

Ontario has made changes to the Rural or Remote Electricity Rate Protection (RRRP) program to lower delivery charges for about 800,000 rural and remote consumers who currently face some of the highest rates. The legislation eliminates the delivery charge for all on-reserve First Nations residential consumers, resulting in an average savings of $85 per month.

Landlords and Tenants

Q101. Landlords will benefit from the new rate relief plan. How will you ensure they pass along these savings to their tenants?

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.

RPP

Q102. The OEB announces new Regulated Price Plan (RPP) rates on May 1, and November 1. Why did they choose to set new rates on July 1 this year?

The Ontario Energy Board (OEB) included approximately half of the expected rate reduction in their rates announced May 1. This was because the legislation regarding Ontario's Fair Hydro Plan (OFHP) had not been passed by the Legislature, and was in keeping with usual OEB practice. Now that the required legislation has been approved, it requires the OEB to factor in the remaining amount of the reduction this summer.

Q103. What will the new Regulated Price Plan (RPP) rates be exactly?

The Ontario Energy Board (OEB) has updated Regulated Price Plan (RPP) prices to reflect the full benefit of Ontario's Fair Hydro Plan (OFHP). The OEB also determined the GA adjustment to be applied to the bills of customers who are eligible for GA refinancing but are not customers of the RPP. The new RPP prices and non-RPP GA adjustment is in effective for electricity consumed between July 1, 2017 and April 30, 2018.

As a result of the OEB's determinations, the total monthly bill for the proxy customer described under the *Fair Hydro Act, 2017* will be 25 per cent or $41 lower than it would have been without the effects of OFHP.

The new RPP prices, compared to the prices effective May 2016-April 2017, are as follows:

- Off-peak: 6.5¢ cents/kWh (down from 8.7)
- Mid-peak: 9.5¢ cents/kWh (down from 13.2)
- On-Peak: 13.2¢ cents/kWh (down from 18)

For customers on tiered pricing, the rates are:

- Tier 1: 7.7¢cents/kWh (down from 10.3)
- Tier 2: 9.0¢cents/kWh (down from 12.1)

The non-RPP GA adjustment for consumers who are eligible for GA refinancing but are not customers of the RPP is as follows:

- $-32.90 per megawatt-hour.

Q104. This isn't a 25 per cent reduction! Why not, when that was the promise of Ontario's Fair Hydro Plan?

Ontario's Fair Hydro Plan (OFHP) has put forth new measures to lower electricity bills by 25 per cent on average for households and hold increases to the rate of inflation for four years, as well as initiatives to reduce costs for businesses.

The plan includes the 8 per cent rebate introduced in January 2017. On May 1, 2017, new, lower RPP prices took effect, bringing the total reduction to 17 per cent. In determining the May 2017 RPP prices, the OEB made its own independent determination to partially reflect the measures that were proposed under Ontario's Fair Hydro Plan, pending the passage of enabling legislation.

As a result of the passage of the *Fair Hydro Act, 2017*, the OEB updated RPP prices again to reflect the full benefit of GA refinancing, increasing savings to 25 per cent on average for residential consumers.

The new prices are effective as of July 1st. This means that the new prices apply to electricity consumption that occurs on July 1st and thereafter. RPP customers will see the full reduction when they receive their bill for the July 2017 billing period.

Q105. What about customers who are eligible for Ontario's Fair Hydro Plan, but don't receive the RPP (like retirement homes and farms) – when will they see decreases?

Consumers not enrolled in the Regulated Price Plan (RPP) will also receive Global Adjustment (GA) refinancing if they meet the eligibility criteria defined under the *Fair Hydro Act, 2017.* These include consumers that have opted out of RPP to sign contracts with electricity retailers or become wholesale consumers, and those who are eligible for the 8 per cent rebate under ORECA but not RPP, such as long-term care homes.

In accordance with the *Fair Hydro Act*, the OEB has determined the adjustment to be made to the GA charge on eligible non-RPP consumers' bills, effective July 1st. Electricity vendors will be expected to ensure the adjustment is reflected on their customers' bills as soon as possible, and to make retroactive payments where necessary.

Disconnections

Q106. What is the government doing to stop disconnections during the winter months?

As part of the implementation of *the Protecting Vulnerable Energy Consumers Act, 2017*, the Ontario Energy Board (OEB) has amended all of the licences for the distributors in the province.

Specifically, the amendments required the distributors to cease disconnections and the use of load limiters due to non-payment for residential customers until April 30, 2017.

Q107. What happens to customers who do not keep their accounts current after April 30, 2017?

There are specific rules governing customer service that all electricity utilities must follow. Here are a few examples of the rules that the OEB have made to protect you as a residential electricity consumer:

- You **cannot have your electricity supply disconnected** without having 10 days' notice.
- You're entitled to have your **security deposit returned** if you have one year of good payment history.
- You **must be provided with payment options**, including an equal monthly payment plan. If you are overdue on paying your bills and facing disconnection, the utility must offer you the chance to go on a payment plan.

Time-of-Use

Q108. With the delivery charges skyrocketing, why does the Government continue to stand behind TOU Pricing?

With time-of-use (TOU), customers have the ability to better manage their costs by reducing or shifting their consumption to off-peak times when electricity is less expensive to produce. TOU prices give customers incentives to shift consumption away from system peaks, which reduces Ontario's overall peak demand, defers infrastructure investments and can help save customers money in the long run.

The Ontario's Energy Board (OEB) is currently undertaking a comprehensive review of the Regulated Price Plan (RPP), including analyzing different TOU price structures. One of the key elements of their review is to pilot innovative TOU price structures that would better align with customer's behaviours and address the system peaks.

On July 18, 2016 the OEB issued the *Regulated Price Plan Roadmap: Guideline for Pilot Projects on RPP Pricing* and requested applications for RPP pilots be submitted by LDCs no later than August 22, 2016. To date, two pilots have been approved and two more are in advanced stages of review. The two pilots approved are with London Hydro and Alectra (formerly PowerStream).

The London Hydro pilot is targeting 2,000 customers, and will test the impact of providing customers with real-time information and applying 'Critical Peak Pricing" (CPP). CPP builds on TOU pricing by pinpointing and increasing prices for short periods of extremely high demand. This encourages customers to shift consumption to lower-demand periods, when prices are much lower.

Alectra's pilot is targeting 14,500 customers in the former PowerStream service territory, and will test the impact of providing customers with real-time information, along with a number of different pricing plans, including: enhanced TOU with a higher on-peak to off-peak ratio; enhanced TOU with CPP and low overnight rates for electric vehicle owners; and CPP with variable peak pricing – where on-peak prices vary depending on the forecasted day-ahead demand.

Based on the results of the pilots, the OEB will be exploring the potential for offering a variety of TOU price structures to give customers more choice, allowing them to pick the plan that best suits their lifestyle and manage their electricity costs.

<u>Electricity Rates – Business</u>

Q109. Ontario businesses have repeatedly expressed concerns over the rising costs of electricity, some have even said they will have to close or leave Ontario. How do you respond to this?

Our government continues to ensure a clean, modern and reliable electricity system for all Ontarians. Prices are increasing because our energy system is being transformed – we are making needed investments to modernize the system. We chose to replace coal-fired generation with cleaner sources of energy, which will not only benefit our environment but also the health of Ontarians.

We recognize the importance of electricity prices for business. Maintaining competitiveness with respect to energy costs is a top government priority.

Ontario's Fair Hydro Plan will lower electricity bills by 25 per cent for average residential customers and hold increases to the rate of inflation for four years. As many as half a million small businesses and farms will also benefit.

We have also expanded the Industrial Conservation Initiative (ICI), which lowers electricity costs for eligible large consumers that reduce consumption during peak times. To allow more businesses to benefit from ICI, effective January 1st, we lowered the threshold from 3 megawatts (MW) to 1 MW. Newly eligible consumers that opt-in to ICI will see the impact beginning in July 2017.

As part of Ontario's Fair Hydro Plan, we further expanded ICI to include smaller manufacturers and greenhouses (i.e., NAICs codes commencing "31", "32", "33" and "1114") with average peak demand greater than 500 kW and less than 1 MW. The expansion to 500 kW will also be effective in July 2017.

Consumers of all sizes will benefit from the shifting of cost recovery for electricity support programs from electricity bills to provincial revenues, lowering regulatory charges for everyone by approximately $3/MWh or 2-4 per cent.

- Ontario has a number of additional measures in place to help businesses manage the cost of electricity, including the Northern Industrial Electricity Rate Program (NIERP), the Industrial Accelerator Program (IAP), saveONenergy for Business conservation programs, and **industrial consumers**
    - **saveONenergy for Business Conservation Programs** offer a variety of financial incentives to help businesses increase energy efficiency and manage their electricity bills. Incentives are available to a broad range of businesses, including institutional customers such as municipalities, for energy audits, retrofits, process and systems upgrades, and small business lighting.
- **Demand Response Auction.**
    - Annual Demand Response Auctions are held by IESO for demand response capacity. Successful bidders (including residential Demand Response aggregators, large businesses and industry) receive payments to shift their consumption at times when the electricity system is stressed.
- Demand Response (DR)

The IESO holds annual Demand Response Auctions, which provide payments to successful participants in exchange for a commitment to reduce their consumption when called upon to do so.

<u>Broadening the Ownership of Hydro One</u>

Q110. Won't rates rise as a result of your sale of Hydro One? Isn't the interest of the private sector to increase profit by raising rates?

Hydro One does not set its own electricity rates. Rates continue to be set by the independent Ontario Energy Board (OEB).

The OEB is an independent regulator with a mandate to protect the interests of Ontario's electricity consumers. Applications from electricity companies like Hydro One are reviewed by the OEB and the OEB makes the final decision.

The government has passed legislation that enhances the OEB's powers to continue to protect electricity ratepayers with respect to cost, consumer protection and reliability.

Electricity Pricing in other Jurisdictions

Q111. What is the current status of industrial electricity prices in Ontario? How do prices compare to other North American jurisdictions?

Indicative industrial electricity prices in Ontario are currently within five per cent of the United States average as reported by the U.S. Energy Information Administration.

We have also expanded the Industrial Conservation Initiative (ICI), which lowers electricity costs for eligible large consumers that reduce consumption during peak times. To allow more businesses to benefit from ICI, effective January 1st, we lowered the threshold from 3 megawatts (MW) to 1 MW. Newly eligible consumers that opt-in to ICI will see the impact beginning in July 2017.

As part of Ontario's Fair Hydro Plan, we further expanded ICI to include smaller manufacturers and greenhouses (i.e., NAICs codes commencing "31", "32", "33" and "1114") with average peak demand greater than 500 kW and less than 1 MW. The expansion to 500 kW will also be effective in July 2017.

Consumers of all sizes will benefit from the shifting of cost recovery for electricity support programs from electricity bills to provincial revenues, lowering regulatory charges for everyone by approximately $3/MWh or 2-4 per cent.

Ontario has a number of additional measures in place to help businesses manage the cost of electricity, including the Northern Industrial Electricity Rate Program (NIERP), the Industrial Accelerator Program (IAP), saveONenergy for Business conservation programs, and annual Demand Response Auctions, which provide payments to successful participants in exchange for a commitment to reduce their consumption when called upon to do so.

Public Sector Salary Disclosure – Energy Agency

Q112. Ontarians are struggling to pay their Hydro bills and yet you are paying Hydro executives massive salaries. How can you possibly justify this?

The Provincial legislative compensation restraints to control compensation are working. Total salary expenses paid to the top 10 earners in the electricity sector have declined by 30% in 2016 from 2009.

Energy agencies have been demonstrating their on-going commitment to the government's compensation restraints.

All energy agencies have complied with the public sector compensation restraint legislation that froze the compensation structure for non-unionized employees for two years beginning March 24, 2010.

Under Bill 55, the Strong Action for Ontario Act (Budget Measures), executive compensation restraint measures were introduced in March 2012.

In keeping with the government's commitment to manage executive compensation, the *Broader Public Sector Executive Compensation Act, 2014*, was proclaimed into force in March 2015. This legislation enables the government to set compensation frameworks for certain executives in the broader public sector, including OPG, IESO and OEB. The government will be moving forwarding to develop compensation frameworks for the broader public sector.

Q113. Why are Hydro One employees not captured by the Sunshine List? The opposition parties are demanding that the government add Hydro One employees back onto the list. Will you do this?

Only public sector employees are included on the Sunshine List.

As a publicly traded entity, Hydro One is no longer required to report salaries earned after December 31, 2014 under the PSSDA. However, similar to the Ontario Securities Commission requirements, Hydro One has to disclose the total compensation levels of the CEO, CFO and three other highest paid executives of the corporation each year.

As an OBCA company subject to Canadian Securities law, Hydro One continues to comply with rigorous governance requirements that include:

- Disclosure of board approved annual financial statements along with quarterly updates
- CEO and CFO Certifications and Associated Controls certifying that there are no misrepresentations in the annual or quarterly materials
- Shareholders' meetings requirements and rules
- Disclosure requirements with respect to management circulars (including information about senior management, such as share ownership, any indebtedness to the company and any interest in material transactions) as well as compensation circulars (executive compensation disclosures including shares awarded, perks and incentives)