

Ministry of Energy

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Dear [Name]:

I am writing to follow up on my correspondence of April 6, 2017, and May 11, 2017, regarding the *Fair Hydro Act, 2017*. As you are likely aware, this legislation received Royal Assent on June 1, 2017. We will now move on to fully implement Ontario's Fair Hydro Plan (OFHP), which includes initiatives that will deliver the single-largest reduction to electricity rates in Ontario's history.

The Fair Hydro Act, 2017

The Fair Hydro Act, 2017 reduces electricity bills for residential consumers and as many as half a million small businesses and farms, by 25 per cent, on average, starting this summer. Lower-income Ontarians and those living in eligible rural and Northern communities will receive even greater reductions, as much as 40 to 50 per cent. As part of this plan, rate increases will be held to the rate of inflation for four years.

As I mentioned in my previous correspondence, these measures include the eight per cent rebate introduced in January and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills. Ontario's Fair Hydro Plan:

- 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 reduction.

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- Modifies and broadens the Ontario Electricity Support Program (OESP) to expand benefits and ensure it is funded by government instead of ratepayers, reducing electricity bills for all.
- Enhances the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to a total of approximately 800,000 customers and shift costs from ratepayers to provincial revenues. The enhancement will benefit customers served by local distribution companies with the highest distribution rates. These savings will begin July 1, 2017.
- Provides on-reserve First Nations households serviced by licensed distributors with a 100 per cent credit of the delivery line on their monthly electricity bills, starting July 1, 2017.

The ministry has also prepared a number of supporting regulations to enable implementation of OFHP; regulations include:

- Ontario Regulation 195/17 made under Part II of the *Ontario Fair Hydro Plan Act, 2017* (OFHPA), to support the required calculations related to the refinancing of GA.
- Ontario Regulation under the OFHPA that will provide further detail on the roles and responsibilities of the Financial Services Manager (i.e. OPG), IESO (IESO) and Ontario Energy Board (OEB) under the OFHPA.
- New regulations under the OFHPA and the *Ontario Energy Board Act, 1998* (OEBA) and amendments to existing regulations under the OEBA and ORECA to support implementation and clarify program details of the social programs, as well as support transparency and communication of the changes made under the OFHP.
- Amendment to O. Reg. 280/14 (IESO Eligible Investments and Borrowing) to be made under the Electricity Act, 1998.

On June 22, 2017, the OEB announced updated Regulated Price Plan (RPP) prices to reflect the full benefit of the OFHP. The OEB also determined the GA Credit, to be applied to the bills of customers who are eligible for GA refinancing but do not participate in the RPP. The new RPP prices and GA Credit will be 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* is 25 per cent or \$41 lower than it would have been without the effects of OFHP.

The new RPP prices and GA Credit are summarized in the table below:

Time-of-Use RPP Prices	Off-Peak	Mid-Peak	On-Peak	Average Price
Price per kWh	6.5¢	9.5¢	13.2¢	8.2¢
% of TOU Consumption	65%	17%	18%	
Tiered RPP Prices	Tier 1	Tier 2	Average Price	
Price per kWh	7.7¢	9.0¢	8.2¢	
% of Tiered Consumption	54%	46%		
GA Credit for Specified Customers not on RPP				
GA Credit per MWh				\$-32.90

The Financial Accountability Office (FAO) Report

As you may also be aware, on May 24, 2017, the FAO released a report on the OFHP. The FAO report confirms the foundation of the OFHP. While I appreciate these findings, I would like to take this opportunity to explain and expand on some items in the report regarding the funding of electricity cost relief support programs under the OFHP.

The FAO report assumes that these programs (i.e., OESP and RRRP) would not be funded by the tax-base beyond 2020-21. This finding does not align with the authorities and obligations contained in the legislation.

The *Fair Hydro Act, 2017* includes requirements for the Minister of Energy to provide these support programs on an on-going basis, and for these programs to be funded from the tax-base. Previous costs funded by ratepayers would be transitioned to the tax-base, thereby reducing regulatory charge costs for all consumers. The legislation contains no end date for these programs, and does not transition the new program enhancements to ratepayers. As such, the government intends to provide these tax-based support programs on an enduring basis.

This move would result in a substantial decrease in RRRP regulatory charges to customers and the Ministry of Energy does not intend to return these costs to the rate-base – as mentioned above, the government intends to fund these costs from the tax-base on an enduring basis.

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I look forward to the ongoing implementation of the OFHP, and I will continue to update you as we do so.

Please accept my best wishes.

Sincerely,

Glenn Thibeault
Minister