

Ministry of Energy

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MC-2017-1012

[Letter to MPPs – OFHP legislation]

[Name]

[Riding]

[Address]

[City] ON [Postal Code]

Dear [Name]:

I am writing to follow up on my correspondence of May 11, 2017, regarding the *Fair Hydro Act, 2017*. As you are likely aware, this legislation received Royal Assent on **June [X], 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, 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 letters, 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. The Act:

- Enables the Independent Electricity System Operator and Ontario Power Generation 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, resulting in significant and immediate rate reduction.
- Modifies and broadens the Ontario Electricity Support Program to expand benefits and ensure it is funded by government instead of ratepayers, reducing bills for all.

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- 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 that were submitted to Cabinet this month. Proposed regulations include:

- Ontario Regulation (New) made Under Part II of the Fair Hydro Act, 2017;
- Amendment to O. Reg. 429/04 (Adjustments Re: Section 25.33 of the Act) under the Electricity Act, 1998;
- Ontario Regulation (New) to be made under the Fair Hydro Act, 2017; and
- Amendment to O. Reg. 280/14 (IESO Eligible Investments and Borrowing) to be made under the Electricity Act, 1998.

Commented [LH1]: Placeholder for description pending finalization of proposed regulation.

The Ontario Energy Board (OEB) is to make a rate adjustment to reflect the full benefit of the OFHP by July 1, 2017.

[INSERT: RPP update and updated table/chart]

Commented [LH2]: OEB is expected to set new rates effective July 1. See above comment.

This can be updated to speak to the new RPP rates in late June.

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 correct some items in the report that I believe to be misleading 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 taxbase 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 taxbase. Previous costs funded by ratepayers would be transitioned to the taxbase, 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. The government intends to provide these taxbased support programs on an enduring basis.

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The Ministry of Energy intends to introduce a regulation that moves approximately 80 per cent of existing RRRP costs (those currently supporting Hydro One low density customers) to the taxbase. A small portion of the RRRP currently supporting Algoma Power and Hydro One Remote Communities would be unaffected so as not to disrupt complex regulatory constructs governing this funding. 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 ratebase – as mentioned above, the government intends to fund these costs from the taxbase on an enduring basis.

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