Ministry of Energy

Office of the Minister

4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1
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Ministère de l'Énergie

Bureau du ministre

4e étage, édifice Hearst
900, rue Bay
Toronto ON M7A 2E1
Tél. : 416 327-6758
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Ontario

MC-2017-478

Mr. Allan O'Dette
President & CEO
Ontario Chamber of Commerce
505–180 Dundas Street West
Toronto ON M5G 1Z8

Dear Mr. O'Dette:

On March 2, 2017, the government announced Ontario's Fair Hydro Plan, which proposes new measures to lower electricity bills by 25 per cent on average for all residential customers and initiatives to reduce costs for small businesses and manufacturers.

In recent years, electricity prices have increased because of much-needed investments to modernize the system to ensure it is clean and reliable. Ontario is lowering electricity bills as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness. Under Ontario's Fair Hydro Plan:

- All electricity consumers would receive a benefit from the funding of support programs through provincial revenues.
- Electricity consumers eligible for the Regulated Price Plan would be eligible for Global Adjustment refinancing.
- Small manufacturers, including members of your organization, would become eligible to participate in the expansion of the Industrial Conservation Initiative.
- Sector efficiency would be improved and Ontario's electricity market would be modernized, working in collaboration with the Independent Electricity System Operator and the Ontario Energy Board.

I am providing further detail related to the measures included in Ontario's Fair Hydro Plan that specifically pertain to members of your organization.

Shifting Support Programs to Provincial Revenues

We are also proposing to shift the cost of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from being paid through electricity bills to being paid for through provincial revenues. This will reduce bills for everyone and ensure these programs continue to serve those in need.

…/cont'd

Social support programs, such as the OESP and RRRP, will cost the government up to $2.5 billion over the next three years, and will be funded from provincial revenues rather than by ratepayers.

Refinancing the Global Adjustment (GA)

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 electricity consumers by reducing the need to finance the development of new generating assets.

To relieve the current burden on electricity consumers and share costs more fairly, a portion of the GA would be refinanced. Refinancing the GA would provide significant and immediate rate relief by spreading the cost of electricity investments over a longer period. In the early years, a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity consumers. In later years, the cost of refinancing would be recovered from consumers. 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.

In order to be eligible for the Regulated Price Plan (RPP), annual consumption must be below 250,000 kilowatt-hours per year or peak demand must be below 50 kilowatts (kW). This includes residential consumers as well as most small businesses and farms. Eligible small businesses would include dry cleaners, convenience stores, small restaurants and retail stores, but would exclude businesses such as larger restaurants, welding shops, medium and large office buildings and big box retailers. Consumers who are eligible for RPP, but have opted out to become a retail or wholesale consumer, would also receive the benefit.

Expanding the Industrial Conservation Initiative (ICI)

We are also proposing to expand the ICI to include smaller manufacturers (i.e., North American Industry Classification System codes commencing "31", "32" and "33") with average peak demand greater than 500 kW and less than 1 megawatt.

Final details on timelines will be available once the regulation is developed and approved. We look forward to working with the Ontario Chamber of Commerce to educate businesses across the province on this, and other, important electricity rate mitigation initiatives.

Energy Sector Efficiencies

Ontario's commitment to lowering energy costs for ratepayers would include working with the province's agencies to identify opportunities to drive efficiency and productivity improvements.

…/cont'd

The Ontario Energy Board (OEB) regulates and licenses more than 70 local distribution companies (LDCs), sets electricity rates and prices and monitors and assesses the performance of electrical utilities.

The OEB will identify opportunities for cost efficiencies by:

- Encouraging shared partnerships on services between utilities, which would help reduce costs and encourage further innovation for small- to medium-sized utilities.
- Reviewing business cases behind its regulatory requirements to reduce red tape and eliminate costs that LDCs indicate are creating pressures on operating expenses.
- Looking at opportunities to further drive transmitter and LDC efficiencies and productivity improvements, including the use of innovative technologies and business processes.

The Independent Electricity System Operator (IESO) plans for the province's electricity needs, balances the supply and demand for electricity in Ontario in real time and administers conservation programs.

The IESO and its stakeholders have begun a market renewal project to enhance the efficiency and performance of the wholesale electricity market. Changes related to the IESO's market renewal initiatives are estimated to save at least $200 million per year, starting in 2021.

For more information on Ontario's Fair Hydro Plan, I encourage you to visit the webpage at ontario.ca/fairhydroplan.

Please accept my best wishes.

Sincerely,

Glenn Thibeault
Minister

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Ontario

MC-2017-478

Mr. Ian T. Howcroft
Vice President, Ontario
Canadian Manufacturers & Exporters
620–55 Standish Court
Mississauga ON L5R 4B2

Dear Mr. Howcroft:

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In recent years, electricity prices have increased because of much-needed investments to modernize the system to ensure it is clean and reliable. Ontario is lowering electricity bills as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness. Under Ontario's Fair Hydro Plan:

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Ontario

MC-2017-478

Ms Jocelyn Bamford
Coalition of Concerned Manufacturers of Ontario
c/o Automatic Coating Limited
211 Nugget Avenue
Toronto ON M1S 3B1

Dear Ms Bamford:

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Glenn Thibeault
Minister