

Ministry of Energy

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Ms Rosemarie Leclair
Chair and Chief Executive Officer
Ontario Energy Board
PO Box 2319
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms Leclair:

On March 2, 2017, the government announced Ontario's Fair Hydro Plan (OFHP) that would lower electricity bills by 25 per cent on average for residential consumers in the province.

I am writing to let you know that the Ministry of Energy will soon be reaching out to you and your staff with further details about the OFHP and its implementation, as well as our expectation of the OEB's role in helping to implement our OFHP.

A major part of the OFHP is to reduce the electricity portion of the bill and to hold any future electricity rate increases to the rate of inflation for at least four years.

Another part of the OFHP involves expanding rate protection for distribution costs. As you know, the government recently increased the amount of funding available to Hydro One Networks R2 customers through Rural or Remote Rate Protection (RRRP). Through RRRP, low-density R2 customers served by Hydro One Networks, eligible rural customers served by Algoma Power, and eligible remote customers served by Hydro One Remotes receive rate protection due to the high cost to serve.

However, a large number of these customers, as well as many other residential customers who do not receive RRRP, continue to face distribution costs that are higher than what most other Ontario customers face. Therefore, the government has decided to provide broadened distribution rate relief to encompass these higher cost areas.

The government will expand rate support to provide distribution charge relief to additional customers served by LDCs with the highest rates. About 800,000 customers would benefit from this program. Customers benefiting from this additional rate relief include those served by Hydro One (R2 and R1 rate classes), and residential classes of Northern Ontario Wires Inc., Lakeland Power (Parry Sound service territory only), Chapeau Public Utilities Corporation, Sioux Lookout Hydro, InnPower Corporation, Atikokan Hydro and Algoma Power. The benefits would differ from LDC to LDC.

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A maximum monthly distribution charge for residential customers would be set for customers of eligible LDCs, using the lowest cost distribution LDC from the group, as set by the OEB. LDCs would be eligible to recover any lost revenue from the rate protection provided under this program.

This program of rate relief in no way interferes with the OEB's requirement to set just and reasonable rates. The government expects the OEB to continue to set rates for all these LDCs based on its well-established rate setting processes.

The OFHP will also include changes to the Ontario Electricity Support Program (OESP). The OESP credits will be increased by 50 per cent, and eligibility will be expanded to some customers that currently do not qualify for the program. The ministry is also exploring automatic qualification and credit amounts for customers who are enrolled in other provincial low-income social programs, such as Ontario Works and the Ontario Disability and Support Program. The ministry will work very closely with the OEB to determine how these changes will be implemented.

Another element of the OFHP, the Affordability Fund, will be an additional tool for distributors to help those customers who are having difficulty paying their electricity bills and cannot undertake energy efficiency improvements without financial assistance. We expect that there will be opportunity for input to the Trust as it finalizes the details of this new Fund. That opportunity for input is expected to include the OEB, based on its support program expertise.

When the Fund becomes accessible to distributors, I would appreciate the OEB's assistance in urging distributors to apply to make this program available to their customers across the province. Distributors deliver energy conservation and support programs in the province, and I am encouraging, where possible, that they seek efficiencies by using existing program delivery infrastructure and agents.

The government will also move to fund the RRRP, including the enhanced distribution rate relief, and the OESP through the tax base, reducing regulatory charges to all consumers. The government is working hard to put these distribution rate relief measures into place as soon as possible, with a target of reduced distribution charges starting in the summer of 2017.

We look forward to working with the OEB to develop program specifics.

Sincerely,

Glenn Thibeault
Minister