

MOF Request for Messaging on Energy Investments/Prices

Q1. For over 100 years Ontario's reliable and affordable power helped build up this province. Now, Ontario residents are paying way more than our neighbours for electricity – and Ontario's manufacturing sector has been destroyed. Why do you continue to implement your expensive energy policies?

We've introduced a number of programs and have taken a number of steps to reduce ratepayer costs:

- Introducing the concept of planned flexibility, or planning the electricity system for a wide range of possibilities, but only committing resources as needs become clearer.
- Introducing wind dispatch to save ratepayers money through more efficient operation of the electricity system and changes to related the Independent Electricity System Operator (IESO) wind contracts.
- Renegotiating the Green Energy Investment Agreement with Samsung, reducing contract costs by \$3.7 billion
- Deferring the construction of two new nuclear reactors at Darlington Nuclear Generating Station, avoiding an estimated \$15 billion in new construction costs.
- The updated Bruce refurbishment agreement has achieved \$1.7 billion in savings for electricity customers when compared to the forecast in the 2013 Long-Term Energy Plan (2013 LTEP), including deferring the first Bruce nuclear unit refurbishment outage to 2020 (instead of commencing in 2016, as envisaged in 2013 LTEP), to maximize value of the Bruce units. This means a reduction in forecast household electricity bills by about \$66 each year over the next decade.
- Potential ongoing operation of the Pickering Generating Station up to 2024 would save ratepayers as much as \$600 million.
- As a result of lower prices and revised procurement schedules, the first round of Large Renewable Procurement (LRP I) costs were approximately \$1.5 billion lower than the 2013 LTEP forecast. This will save the typical residential electricity consumer an average of approximately \$0.56 per month on their electricity bill, relative to previous forecasts.
- Suspending the second round of the LRP process (LRP II) and the Energy-from-Waste Standard Offer Program is expected to save up to \$3.8 billion in costs relative to the LTEP 2013 forecast. This would save, the typical residential electricity consumer an average of approximately \$2.45 per month on their electricity bill, relative to previous forecasts.
- Reducing Feed-in Tariff (FIT) prices through annual price reviews, saving ratepayers at least \$1.9 billion.

The Ontario Rebate for Electricity Consumers Act, 2016 will provide an eight per cent (8%) rebate for consumers eligible for the Regulated Price Plan and other residential tenancies. It will

benefit an estimated 5 million families, farms and small businesses, with an average savings of about \$130 annually or \$11 each month for residential consumers.

This comes into effect on January 1, 2017.

The legislation is one part of a comprehensive package of reforms that will provide benefits to all Ontario electricity consumers.

The second part of this package is for rural customers, who have been especially affected by increasing electricity distribution costs. We are updating the Rural or Remote Rate Protection program, which has not been updated since the early 2000s.

This represents significant rate relief for approximately 330,000 eligible rural electricity consumers, decreasing total electricity bills by an average of \$540 a year or \$45 each month, inclusive of the 8% rebate.

As part of our comprehensive package, Ontario is also proposing to expand the Industrial Conservation Initiative (ICI) program, opening it up to more than one thousand newly eligible customers with monthly peak demand greater than one megawatt, down from the current 3 MW threshold. In addition, sector restrictions would be removed and smaller institutional and commercial businesses would be eligible to participate.

Expanding participation in the ICI program would reduce electricity bills for new ICI participants who are able to reduce their electricity demand during peak demand periods.

In addition, we are proposing to recycle proceeds from Ontario's cap and trade program to industrial and commercial electricity consumers to keep electricity rates affordable.

On August 25, 2016, the Financial Accountability Officer (FAO) released a report indicating that home energy costs in Ontario are lower than many other Canadian provinces, including Atlantic Canada and Alberta. The report also concluded that from 2010 to 2014, Ontario experienced average increases in home energy costs relative to residents of other provinces.

Q2. 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?

As part of our comprehensive package, Ontario is proposing to expand the Industrial Conservation Initiative (ICI) program, opening it up to more than one thousand newly eligible customers with monthly peak demand greater than one megawatt, down from the current 3 MW threshold. In addition, sector restrictions would be removed and smaller institutional and commercial businesses would be eligible to participate.

The ICI provides a strong incentive for large electricity consumers to reduce their electricity consumption during peak hours to reduce their bills by up to one-third. When these consumers shift their consumption, they reduce the province's peak demand, which means the ICI has the added benefit of deferring the need to build peaking generation.

Up until now, the ICI eligibility requirements included that consumers needed to have monthly demand exceeding three megawatts (MW). And they have made a difference. Last year, the

approximately 300 ICI participants collectively reduced Ontario's peak demand by an estimated 1,000 MW.

Expanding participation in the ICI program would:

- Reduce electricity bills for new ICI participants who are able to reduce their electricity demand during peak demand periods, and
- Reduce cost pressures on the electricity system by empowering more consumers to lower their electricity demand during peak periods.

We are also proposing to recycle proceeds from Ontario's cap and trade program to industrial and commercial electricity consumers to keep electricity rates affordable.

Under the proposed electricity price mitigation strategy, proceeds would be recycled to commercial and industrial consumers to ensure that cap and trade would result in a benefit to the average industrial and commercial customers

Measures in place to mitigate industrial electricity prices and maintain competitiveness include:

- Industrial Conservation Initiative (ICI);
- Northern Industrial Electricity Rate Program (NIERP);
- Industrial Accelerator Program (IAP);
- SaveONenergy for Business Program; and
- Demand Response.

The Industrial Electricity Incentive (IEI) offers reduced electricity rates for companies starting or expanding operations in Ontario. The Independent Electricity System Operator (IESO) has awarded 22 contracts to energy-intensive companies across the province through the program.

Participants in the Northern Industrial Electricity Rate Program (NIERP) receive a rebate of two cents per kilowatt hour. On average, industrial electricity prices can be reduced by over 20% through the program.

In 2015, the Ontario government announced the commitment to an ongoing NIERP beyond March 2016.

IAP assists eligible transmission-connected companies to fast track capital investment in major energy conservation projects. The program provides financial incentives to encourage investment in innovative process changes and equipment retrofits to reduce electricity consumption on the provincial system and to help companies become more competitive by positively impacting their bottom line.

saveONenergy for Business electricity conservation program offered by local distribution companies, with support from IESO – offers distribution-connected customers financial incentives for audits, retrofits and process and systems improvements to help businesses better manage their electricity use.

In addition, the Budget Measures Act 2015 sets a fixed date for removing the Debt Retirement Charge (DRC) from all other electricity users' bills (i.e., commercial, industrial and other electricity users) on April 1, 2018, nine months earlier than previously estimated.

In 2015, Ontario's industrial electricity prices were lower than the U.S. average as reported by the U.S. Energy Information Administration (EIA).

In 2015, large customers paid an average of \$84/MWh according to the most recent Ontario Energy Report.

Q3. Why do ratepayers have to pay to fund the Ontario Electricity Support Program (OESP), especially if they do not benefit and have lost the 10% Ontario Clean Energy Benefit (OCEB) discount? How is this acceptable?

This is a rate relief program funded by all ratepayers for low-income ratepayers who have applied and meet the eligibility requirements.

For many low-income Ontarians, paying their electricity bill can be a challenge. Electricity represents a significantly greater share of their monthly expenses. For households with an annual income of \$20,000 a typical electricity bill could be 10% or more of their income.

The cost to ratepayers is \$0.0011 per kilowatt hour of electricity used for all ratepayers. For the typical residential customer, the amount is less than \$1 per month.

Q4. How many customers have successfully signed up for OESP? Are they already receiving their payments?

As of October 27, 2016, over 150,000 applications had been approved for the Ontario Electricity Support Program (OESP) by the Ontario Energy Board (OEB).

Q5. The public has made its opposition to the sale of Hydro One very clear. Why are you pushing ahead instead of pulling back?

The Province remains on track to generate approximately \$9 billion in gross proceeds and other revenue benefits. This includes \$4 billion in net revenue gains that will be invested in infrastructure and \$5 billion to reduce debt.

Net revenue gains from the Province's sale of Hydro One common shares will be dedicated to the Trillium Trust to help fund infrastructure projects that will create jobs and strengthen the economy.

Q6. What investments have been made in the transmission and distribution system?

Since 2003, approximately \$15 billion has been invested to enhance and renew Hydro One's systems, including upgrades to over 15,000 km of power lines (including transmission and distribution lines).

Q7. What investments have been made through the Smart Grid Fund?

To date, SGF supports 26 innovative projects, resulting in nearly \$170 million in total electricity sector investment. These projects are also creating nearly 900 jobs and involve 22 utility partners.

Q8. What is this GIF investment going to achieve?

In February 2016 the government announced that it intends to help families reduce their energy bills through energy audits and retrofits of their homes. Money for this undertaking has been made available through the Green Investment Fund, part of the province's Climate Change Strategy.

This \$100 million investment helps eligible homeowners upgrade their homes, reduce their energy bills and cut greenhouse gas emissions.

These homeowners can qualify for rebates towards energy audits and home energy efficiency retrofits.

This investment is expected to enable audits and retrofits of approximately 37,000 homes and save approximately 1.6 Megatonnes of cumulative lifetime greenhouse gas (GHG) emissions, contributing to the province's GHG emissions reductions targets.