

I am writing to provide the Ontario Energy Board (OEB) with additional detail regarding certain elements of the government's proposed Fair Hydro Plan pending the introduction of new legislation and amendments to existing regulations that would, if passed, give full effect to that Plan. Some of these proposed details are being set out for the OEB at this time so that they can be considered as inputs into the OEB's upcoming consideration of Regulated Price Plan (RPP) prices, which are normally scheduled to be reviewed and adjusted as required on May 1, 2017.

A. Reducing average residential electricity bills by 25%

The government is to take steps to lower electricity bills on an after-tax basis by 25% for a typical residential customer relative to what they would otherwise have been. This proposed 25% rate relief measure is inclusive of the 8% rebate that is already in effect under the *Ontario Rebate for Electricity Consumers Act, 2016* and the savings that are anticipated to result from the proposed shifting of costs associated with the Ontario Electricity Support Program (OESP) and the Rural or Remote Electricity Rate Protection program (RRRP) from ratepayers to Provincial revenues. Savings for eligible customers resulting from the proposal to expand the RRRP are intended to be incremental to the 25% rate relief measure.

After accounting for savings associated with the 8% rebate and the shifting of costs to Provincial revenues, the 25% rate relief measure is intended to be achieved through the refinancing of the Global Adjustment (GA). Under current forecasts, this will translate to an annual reduction in the GA in the order of \$2.5 billion for all Ontario customers that are eligible for the RPP, including those that have opted out of the RPP in favour of market-based pricing or a retail contract as well as non-RPP eligible customers that are eligible for the 8% rebate.

Under current forecasts, we also estimate that annual consumption by these customers is in the order of [XX]. Using its own forecasts of consumption for customers that are on the RPP, the OEB will need to determine the portion of the estimated total GA reduction that should be included as an input to RPP prices when it sets those prices effective May 1, 2017. Rate relief intended for customers that are not eligible for the RPP (but eligible for the 8% rebate) or that have opted out of the RPP is proposed to be addressed by separate means that do not involve the OEB.

The government understands that the OEB will review RPP prices again in the fall, and will make such further adjustments effective November 1 as required so that RPP customers receive the full benefit of the 25% rate relief measure in accordance with such legislation as may be in place at that time. The government's intention is that achievement of the 25% rate relief measure will ultimately be gauged by reference to the bill impact for a proxy customer; specifically, a Toronto Hydro residential customer that uses 750 kWh of electricity per month

with the time-of-use load profile of the “typical” residential customer against which the OEB measures and illustrates bill impacts.

B. Ontario Electricity Support Program

On March 9, 2017, the government posted a proposal on the Regulatory Registry to, if approved, increase the level of benefits to be provided under the OESP by 50% and to expand eligibility for the program by modifying the current household income and size categories.

I understand that the OEB is working with distributors, the central service provider and others as required with a view to facilitating a smooth and timely transition to the enhanced and expanded OESP benefits proposed in the government’s Regulatory Registry posting, if passed.

As noted above, the proposed Fair Hydro Plan rate relief measures are intended to be achieved through a combination of the refinancing of the GA and the shifting of costs in a manner such that they are funded by Provincial revenues. As such, the proposed Plan would not limit the OEB’s mandate to set just and reasonable rates for transmission and distribution or to set just and reasonable payment amounts for Ontario Power Generation Inc. The government fully expects that the OEB will continue exercising their mandate in the public interest as it does today.

The government will rely heavily on the OEB’s expertise in moving forward with the proposed Fair Hydro Plan, and anticipates that the OEB will want to focus on the elements of the proposed Plan described above before turning in earnest to consideration of any cost efficiency initiatives that it may wish to implement in due course for the further benefit of Ontario electricity customers.