Sessional Paper No.P-9

P-9 Petition relating to Sale of Hydro One (Sessional Paper No. 9) (Tabled by MPP Gélinas, October 24, 2016)

P-9 Petition relating to Sale of Hydro One (Sessional Paper No. 9) (Tabled by MPP Walker, October 24, 2016)

P-9 Petition relating to Sale of Hydro One (Sessional Paper No. 9) (Tabled by MPP Mantha, October 26, 2016)

Response

Our government continues to ensure a clean, reliable and affordable electricity system for all Ontarians.

Electricity Rates

Prices are increasing because our energy system is being transformed – we are making needed investments to modernize our electricity system.

We recognize that rebuilding and cleaning up Ontario's electricity system has come at a cost. Over the last decade we've rebuilt our transmission and distribution grid, we've invested in clean generation, and we've closed the last dirty coal-fired power plant. But we need to take the next step in ensuring that clean, reliable system is affordable.

Ontario benefits from a regulated energy sector with strong protections for all customers. The Ontario Energy Board (OEB) is the independent regulator with a mandate to protect Ontario consumers with respect to electricity prices. The OEB sets electricity rates for the province and distribution rates for utilities.

The OEB sets the Time-of-Use electricity prices under the Regulated Price Plan (RPP). To calculate Regulated Price Plan (RPP) prices, the OEB forecasts the cost to supply electricity to residential and small business consumers for the next 12 months. These forecasts include factors such as:

- Forecast natural gas prices;
- Supply forecasts from each type of generation (nuclear, hydroelectric, natural gas, etc.);
- Electricity consumption forecast; and
- Any variance recovery (the over/under-collected electricity costs) from the previous period.

Price Mitigation

We understand the financial pressure that rising electricity prices are putting on Ontarians, and that is why the province is taking action to help manage electricity bills for families, farms, and businesses.

As of January 1, 2017, residential customers will be eligible to receive an 8% rebate on their pre-tax bill, equivalent to the provincial portion of HST. As a result, the average household will save approximately $130 per year.

The amount of rate protection available to approximately 330,000 eligible rural customers living in low-density areas will also be increased from January 1st. When combined with the 8% rebate, on average these customers will see savings of approximately $540 per year.

Ontario also recently announced that it will provide eligible rural ratepayers with additional relief, decreasing total electricity bills by an average of $540 a year or $45 each month (combined with the 8% rebate included). The province is also empowering additional large electricity consumers to reduce bills by up to one-third through an expansion of the Industrial Conservation Initiative (ICI).

Ontario also has several initiatives in place that are helping consumers to manage rising energy prices, including:

- The Ontario Electricity Support Program (OESP), which, provides an ongoing rate reduction directly on the bills of low-income electricity consumers who have applied and meet the eligibility requirements.
    - This is a rate relief program funded by all ratepayers for low-income ratepayers who have applied and meet the eligibility requirements. OESP monthly credits range from $30-$50. A household receiving the lowest OESP Credit would receive $360/ year off their bills, or $425/ year when combined with the removal of the Debt Retirement Charge (DRC).
    - Customers with unique electricity needs, such as customers using electric heating, customers relying on certain electricity intensive medical devices, and First Nations or Métis customers, are eligible for an enhanced amount, which ranges from $45 to $75 per monthly bill.
- Eliminating the DRC for residential customers on January 1, 2016. This is saving a typical residential electricity ratepayer who consumes 750 kWh per month about $65 per year. The DRC will be removed from commercial and industrial bills starting April 1, 2018.
- The Northern Ontario Energy Credit (NOEC), which continues to provide targeted assistance to low- to moderate- income individuals and families living in

Northern Ontario who can be exposed to higher energy costs due to more severe winters and heavier reliance on more expensive home heating fuels.

- The Ontario Energy and Property Tax Credit (OEPTC), which provides low- to moderate-income individuals and families with relief on the sales tax they pay on energy and with their property taxes.

In addition, the Ontario Energy Board (OEB) has also implemented a province-wide strategy through the Low-Income Energy Assistance Program (LEAP) that includes access to financial assistance, special rules and conservation programs to help qualifying low-income consumers in critical financial need.

Smart Meters

The smart meters installed for nearly all of Ontario's residential and small business customers. They enable time-of-use pricing, giving Ontarians a tool to manage their electricity costs. Smart meters are also helping electric utilities respond quickly to outages.

The safety of Ontarians is the number one priority of this government. In summer 2014, Saskatchewan experienced eight different fire incidents related to a specific type of smart meter. Shortly thereafter, Ontario's Electrical Safety Authority (ESA) began a due diligence assessment to investigate whether the same or similar meters were being used in Ontario.

The ESA found that one type of meter was deployed in Ontario that was vulnerable to the same defect in meters that caused fires in Saskatchewan. As of May 2015, all of the 5,110 meters were removed from service. The ESA has not identified a systemic risk with any other meter model or design in use in Ontario.

Currently, there are over 4.8 million smart meters across the province providing accurate usage data. Distributors in Ontario use smart meters to meet their obligation to ensure that monthly bills that are based on actual meter reads at least 98% of the time.

In some cases, it is uneconomical to have the extensive telecommunications infrastructure in place to receive complete information from smart meters, which is required for time-of-use bills. Although the meters are functioning correctly, the costs of extending the network to these areas to ensure that data is accurately transmitted would be significant, and may result in higher rates for customers. In these circumstances, local distribution companies will read the meter data manually to ensure accurate billing.

Verifying the accuracy of electricity meters is the responsibility of Measurement Canada, which is a federal government agency. Measurement Canada has a mandate to ensure the integrity and accuracy of trade measurement in Canada through the administration and enforcement of the *Weights and Measures Act* and Regulations and the *Electricity and Gas Inspection Act* and Regulations

Smart meters are only the first step in building a smart, modern grid for Ontario. The basic infrastructure delivering electricity to Ontarians has largely remained unchanged for decades. New smart grid technology is becoming available that can benefit consumers and distribution companies through better reliability, improved asset performance, and resiliency to external events.

The smart grid will enable Ontarians to realize the full value of emerging technologies and applications such as electric vehicles, electricity storage, and home energy automation systems. These value propositions are enabled by our early investments in smart meters. They are a catalyst for modernizing our energy infrastructure and for providing customers with greater visibility and control of their energy use.

Hydro One

In April 2014, our government asked the Premier's Advisory Council on Government Assets to review options for maximizing the value of government assets, including Hydro One, Ontario Power Generation and the LCBO.

Following recommendations from the council, our government broadened the ownership of Hydro One to create lasting public benefits and ongoing public protections.

The Province completed the Initial Public Offering (IPO) in November 2015 and raised approximately $1.83 billion in gross proceeds and about $116 million from related share sales. The Province also benefited from Hydro One recognizing a deferred tax benefit as a result of the IPO. In August 2016, the Province announced the dedication of $3.2 billion to the Trillium Trust from the sale of Hydro One shares in 2015.

The secondary share offering of Hydro One was completed in April 2016, generating approximately $2 billion in gross proceeds. The government continues to hold approximately 70 per cent of Hydro One and will proceed with future offerings in a careful, staged, and prudent manner, over time reducing Ontario's stake to 40 per cent while remaining the largest shareholder. By law no other shareholder or group of shareholders is permitted to own more than 10 per cent of Hydro One.

Ontario remains on track to generate approximately $9 billion in gross proceeds and other revenue benefits. This includes $4 billion in net revenue gains that, through Trillium Trust, will be reinvested in transit, transportation, and other priority infrastructure under Moving Ontario Forward, and $5 billion to reduce debt.

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The Honourable Glenn Thibeault
Minister of Energy