

Q&A Response

Q/ What are the differences between the prior forecast and the latest forecast for residential electricity bills?

The long-term forecast of pre-Ontario Fair Hydro Plan (OFHP) residential bills, which is based on data provided by the Independent Electricity System Operator (IESO), has reduced by approximately \$15/month by 2035. This is due to a combination of factors including:

- Reduced commodity charges to align with policy changes on the supply outlook (e.g. smoothed Ontario Power Generation (OPG) rates);
- Adjustments to forecast methodology to calculate the fixed and variable elements of the distribution costs; and
- Updated transmission rates to reflect current application before the Ontario Energy Board (OEB) for 2017 and 2018.

It also incorporates May and July 2017 actuals (whereas a forecast was previously used).

In addition, IESO's forecast bill now follows a downward trend between 2030-35, rather than an upward trend in its previous forecasts. This is relevant because the OFHP model forecasts costs from 2035-47 based on the trend from 2030-35.

In modelling the impact of OFHP, a lower unadjusted residential bill means there is less borrowing required to fund the 25 per cent reduction. It also means that the "piggybank" can stretch further to support the OPG borrowing.

The Ministry of Energy is continuing to work with IESO and Navigant to ensure correct integration of their modelling inputs to the OFHP forecast. The forecast is subject to change depending on changes in the supply and demand outlook, and decisions made as part of the 2017 Long-Term Energy Plan (2017 LTEP) process.

Q/ What is the maximum interest payment in a calendar year when the OFHP inflationary cap is adjusted to 3% per year?

Under the Direct to Fair Allocation Amount (FAA) scenario with inflationary increases set at 2% per year over the cap period, maximum interest in a calendar year is \$1.1 billion.

When the inflationary increase is adjusted to 3% per year, maximum interest decreases to \$0.9 billion.