

Sessional Paper No.P-188

P-188 Petition relating to Hydro One charges (Sessional Paper No. 188) (Tabled by MPP Campbell, May 03, 2017)

Response

Mitigating the Cost of Electricity

Our government continues to ensure a clean, reliable and affordable electricity system for all Ontarians. Ontario is taking action to reduce electricity bills for families, farms and businesses. Over the last fifteen years the government has rebuilt our transmission and distribution grid, invested in clean generation, and closed the last coal-fired power plant. Prices have increased because our energy system is being transformed – more than \$50 billion has been invested to modernize the electricity system.

The government has heard from Ontarians across the province that the costs of these new investments have grown too quickly, which is why we have moved forward with a plan to ensure costs are shared more evenly over the years ahead. We're doing this because we know that families need help with the cost of everyday living.

Ontario's Fair Hydro Plan has lowered electricity bills by 25 per cent on average for residential customers (40 to 50 per cent for eligible rural consumers) and will hold increases to the rate of inflation for four years. As many as half a million small businesses and farms are also benefitting.

The reduction reflects a number of initiatives, including refinancing a portion of Global Adjustment (GA), shifting cost recovery for the Ontario Electricity Support Program (OESP) and the majority of Rural or Remote Rate Protection (RRRP) from electricity bills to provincial revenues, enhancing Distribution Rate Protection, introducing a First Nations Delivery Credit and the existing 8 per cent rebate, equivalent to the provincial portion of the HST.

This plan represents one of the single largest actions to reduce costs for electricity consumers in the province's history.

Please note that determinations about costs related to density are made by the Ontario Energy Board, Ontario's independent energy regulator. However Ontario's expansion of Distribution Rate Protection into eligible rural communities ensures that rural residents pay distribution costs similar to those paid by the rest of the Province.

There are other ways that Ontario is providing support to Ontario families. 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. For the 2017 benefit year, qualifying individuals and families could receive a maximum benefit of \$1,023 per year, and qualifying seniors could receive a

maximum benefit of up to \$1,165. In both cases, \$227 of the total is for helping on the sales tax for energy.

The province also offers the Northern Ontario Energy Credit (NOEC), which helps families and individuals in Northern Ontario by providing tax credits for low- to middle-income families and individuals living in northern Ontario. For the 2017 benefit year, the maximum annual credit for a single person is \$148, and for a family (including single parents), is \$227.

Time of Use Prices

Under the Ontario Energy Board (OEB)'s Regulated Price Plan, customers pay Time of Use (TOU) or tiered prices.

The RPP's TOU rates reflect the fact that the cost of producing electricity varies at different times of the day. Electricity prices are lower when demand is low and can be satisfied with lower cost sources of generation, and prices rise as demand increases and other forms of generation are called upon. TOU prices also provide an incentive for Ontarians to reduce consumption during peak hours, allowing them to manage electricity costs and helping reduce system costs.

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

The Province has completed its initiative to broaden the ownership of Hydro One and does not anticipate any further offerings of Hydro One shares by the Province other than sales for the collective benefit of Indigenous communities resulting from previously disclosed discussions.

The Province has exceeded its objective to raise \$9 billion in gross proceeds and other revenue benefits from broadening the ownership of Hydro One.

Electricity Supply and Surplus Baseload Generation (SBG)

Ontario procures generation capacity to meet its domestic needs, in accordance with forecasts of supply and demand. Generators receive regulated or contracted rates, which ensure they are able to recover the fixed costs of their investments. Investment in adequate generating capacity is necessary to maintain a reliable supply for Ontario homes and businesses, however, fluctuations in supply and demand can lead to excess generating capacity from time to time.

Our investments in the electricity system will help ensure that Ontarians can continue to enjoy a reliable supply of electricity as the province proceeds with the retirement of Pickering and the refurbishment of the remaining nuclear fleet at Bruce and Darlington. As we proceed through the nuclear refurbishment period, our current surplus is expected to decrease.

The government has been working hard to reduce electricity ratepayer costs and will continue to look for opportunities to take costs out of the system without comprising reliability. For example, the Independent Electricity System Operator (IESO) negotiated changes to its wind contracts to save ratepayers money. Under the renegotiated contracts, wind generators will not get paid, up to a fixed number of hours, when IESO determines that the power is not required.

Continuing to Reduce System Costs

Moving forward, Ontario is developing its 2017 Long-Term Energy Plan (LTEP) which will focus on continuing to put downward pressure on electricity bills in the longer term. Our robust energy supply puts us in a good position to improve efficiency, increase transparency, and enhance opportunities for innovation and competition to further reduce system costs. That is why Ontario's Fair Hydro Plan includes a commitment to improving sector efficiency and modernizing Ontario's electricity market, building on the collaboration of IESO and the OEB.

For example, IESO's Market Renewal initiative will result in a more efficient marketplace with competitive and transparent mechanisms that meet future system needs at the lowest cost. The project is expected to save up to \$5.2 billion over a 10-year period and forms a key component of Ontario's plan to ensure the affordability of electricity in the years ahead.