General Key Messages on Bill 132

- **The Fair Hydro Act, 2017, which enables *Ontario Fair Hydro Plan Act, 2017,* would result in a reduction in electricity bills of 25 per cent for a typical residential consumer.**

- **Measures that make up this 25 per cent reduction include:**

  Refinancing a portion of the Global Adjustment (GA) - this would provide significant and immediate rate relief by spreading the cost of Ontario's electricity investments in proportion to the benefits of clean energy infrastructure that will be received in the future.

  Shifting the cost of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from ratepayers to provincial revenues.

  The 8 per cent rebate equal to the provincial portion of the HST that took effect on January 1, 2017.

- **Additionally, lower-income Ontarians and those living in eligible rural communities would receive even greater reductions, as much as 40 to 50 per cent.**

- **The proposed legislation would deliver on the government's commitment to fairness by reducing electricity rates and making life more affordable for families and businesses across the province.**

Refinancing Global Adjustment

- **Recent investments in electricity infrastructure will create benefits for years to come. For example, the majority of the province's electricity generators have 20-year contracts.**

- **Many of these generators will be able to operate past their contract term, meaning that generating assets are expected to have ongoing useful life and will benefit future ratepayers by reducing the need to finance the development of new generating assets.**

- **To relieve the current burden on ratepayers and share costs more fairly, a portion of the GA would be refinanced.**

- **Refinancing the GA would provide significant and immediate rate relief by spreading the cost of electricity investments over time.**

New and Enhanced Social Programs

- **Helping vulnerable electricity consumers by enhancing electricity support programs, including:**
  - **Provide enhanced Distribution Rate Protection to additional customers served by Local Distribution Companies (LDCs) with the highest rates. We currently support approximately 350,000 Ontarians living in rural or remote areas through the Rural or Remote Rate Protection (RRRP) program. The enhancement would extend relief to approximately 800,000 households in total.**
  - **Expanding the OESP, which provides relief directly on the bills of low-income consumers who have applied and meet the eligibility criteria. The expansion would increase OESP credits by 50 per cent and allow more Ontarians to benefit from the program.**
  - **Establishing a new Affordability Fund that will be accessible to LDCs for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.**
  - **Establishing a new On-Reserve First Nations Delivery Credit to eliminate delivery charges for all First Nations people living on reserve.**
- **Shifting cost recovery for Rural or Remote Rate Protection (RRRP) and Ontario Electricity Support Program (OESP) from electricity bills to provincial revenues, lowering regulatory charges for everyone by approximately $3/MWh.**

<u>Refinancing Global Adjustment (Additional Background)</u>

Increases Held to Inflation

- **The *Ontario Fair Hydro Plan Act, 2017*, would allow future increases to hydro bills to be set by regulation.**
- **This enables the government's commitment to hold increases, for four years, to the rate of inflation.**
- **Including this measure in regulation, it offers the Province flexibility to respond to potential fluctuations in inflation rates in any given year.**

Clean Energy Adjustment

- **In the early years, a portion of the costs covered by the GA would be refinanced to lower hydro bills for today's electricity ratepayers.**

- **In later years, the cost of refinancing would be recovered through adjustments to consumer hydro bills called a Clean Energy Adjustment.**

- **Clean Energy Adjustments would appear on bills when consumers start to repay the borrowed amount.**

- **Initial analysis indicates that this is currently anticipated to occur in the mid-to-late 2020s.**

Role of OPG

- **Under the *Ontario Fair Hydro Plan Act, 2017*, Ontario Power Generation (OPG) would provide industry and financial expertise, through its role in managing the refinancing of the GA.**

- **Under the legislation, OPG, as the Financial Services Manager, is required to prepare a Financing Plan and submit it to the Minister of Energy for information purposes.**

- **The Financing Plan sets out the funding obligations and amounts related to the financing of the under-collected GA amounts.**

Role of the OEB

- **Under the *Ontario Fair Hydro Plan Act, 2017*, the Ontario Energy Board (OEB) retains its responsibility for setting Regulated Price Plan (RPP) rates.**

- **OEB will determine the Fair Adjustment Amount to be applied to RPP prices and non-RPP bills. Note: The RPP calculation will account for the Fair Adjustment Amount.**

- **OEB will advise IESO of the Fair Adjustment Amount that is to be applied by Local Distribution Companies (LDCs) and Retailers to non-RPP bills.**

- **OEB also has the authority under the Act to approve the fees of the Financing Entity (i.e., the entity set up by OPG).**

Role of the IESO

- **Under the *Ontario Fair Hydro Plan Act, 2017*, the Independent Electricity System Operator (IESO) is responsible for determining the amount of**

under collected GA as a result of GA Refinancing and to establish and maintain a variance account which records this amount each month.

- **The IESO is authorized to transfer the Regulatory Asset (i.e., which is the right to recover a portion or all of the under-collected GA) to a financing entity under the Act.**

- **In addition, for non-RPP bills each month, the IESO, LDCs and Retailers will apply an amount determined by the Board to their customers' bills.**

Provincial Guarantees

- **The legislation would enable the Province to provide guarantees to protect investors from risks that cannot otherwise be mitigated.**

- **For example, guarantees would address the risk to investors that future governments may undermine their investment by impairing the recovery of Clean Energy Adjustments.**

- **The Ontario Energy Board (OEB) would continue its role as regulator for the electricity sector.**

- **In particular, it would continue to set commodity rates for Regulated Price Plan (RPP) consumers, including any cost reductions under the *Ontario Fair Hydro Plan Act, 2017*.**