Ministry of Energy

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Ontario

MC-2017-XXXX

Patrick Brown MPP
XXXXX

Dear MPP Brown,

Neither I nor the government of Ontario have the authority to direct the Ontario Energy Board (OEB) on decisions regarding rate applications under its jurisdiction. The OEB is the energy sector's quasi-judicial and independent regulator with a mandate to set just and reasonable electricity distribution rates. This independence is critical to the fair and transparent operation of Ontario's electricity sector, as it ensures that rates are set in a manner that both protects consumers and allows for necessary system investment to be made on a prudent basis. As such, the government will not inappropriately inject itself into Hydro One's proceeding or any other application before the OEB.

The OEB, through its hearing process, will ensure that Hydro One's costs are given a thorough review. Through its performance-based regulatory framework, the OEB incents Hydro One and other local distribution companies (LDCs) to make efficiency gains that reduce cost pressures and increase the value that consumers receive from the system. This includes reviewing key operational and administrative costs such as salaries, benefits, and overhead, to ensure costs recovered from ratepayers are just and reasonable. The OEB will review the Hydro One application in due course and will make an independent decision based on the evidence filed before it. Members of the public and interested stakeholders are able to intervene in the OEB's proceedings to provide an additional level of cost scrutiny.

Ontario's Fair Hydro Plan, the largest electricity rate reduction in Ontario's history, is taking steps to reduce electricity bills for residential consumers and as many as half a million small businesses and farms, by 25 per cent, on average, starting this summer. Lower-income Ontarians and those living in eligible rural and Northern communities will receive even greater reductions, as much as 40 to 50 per cent. As part of this plan, rate increases will be held to the rate of inflation for four years. These measures include the eight per cent rebate introduced in January and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills.

In addition to broad based electricity cost relief, Ontario's Fair Hydro Plan is reducing distribution costs for eligible rural or remote customers. Ontario is expanding Rural or Remote Rate Protection (RRRP) to support approximately 800,000 customers with some of the highest distribution rates. In addition to including Hydro One R2 (low density) and R1 (medium density) customers, customers from Algoma, Atikokan,Sioux Lookout, Lakeland Parry Sound, Innpower, Northern Ontario Wires and Chapleau will also receive distribution rate protection. We expect the protection provided by expanded RRRP to be in place by July 1, 2017 – well in advance of an OEB decision on 2018-2022 rates.

We agree with the Auditor General that a clear planning process is critical for Ontario's electricity system. That is why we have completed Long-Term Energy Plans in 2010 and 2013 and are currently developing an updated Plan for release this year. Governing is about choices. Our government has been clear we are committed to a clean, modern, and reliable electricity system.

We have turned the page on several policies. The government has taken a number of actions to reduce overall system costs for the benefit of ratepayers, including:

- Renegotiating the Green Energy Investment Agreement in 2013, reducing contract costs by $3.7 billion.

- Reducing Feed-in Tariff (FIT) and microFIT prices through annual price reviews, saving ratepayers at least $1.9 billion.

- Introducing strong competition between developers of large renewable projects through the Large Renewable Procurement (LRP) process to drive down prices and secure clean, reliable generation for the province. As a result of lower prices and revised procurement schedules, LRP I costs were approximately $1.5 billion lower than the 2013 Long-Term Energy Plan (2013 LTEP) forecast.

- Suspending the second round of the Large Renewable Procurement (LRP II) process and the Energy-from-Waste Standard Offer Program, which is expected to save up to $3.8 billion in electricity system costs relative to the LTEP 2013 forecast.

- Limiting the Feed-In Tariff (FIT) 5 procurement target to 150 MW and suspending future FIT procurements - resulting in savings of up to $129 million.

Ontario is committed to investing in a clean, modern and reliable electricity system that reduces greenhouse gas emissions and provides cleaner air for this and future generations of Ontarians.

Sincerely,

Glenn Thibeault
Minister