Draft Narrative --- Rate Mitigation

- After decades of neglect under previous governments of all stripes, our electricity grid required major investment and modernization. So, starting in 2003 we closed the coal plants and built a reliable system, investing $50 billion and building more than 14,000KMs of power lines.

- But the costs of these investments were front-end loaded, having the biggest impact on today's hydro bills.

- And we've heard from families and businesses that the cost of these investments has grown too quickly, and it's unfair they're being paid entirely by people today.

- So our government is making the tough choices and putting forward a plan to fix this problem, ensuring that costs are shared more evenly over the years ahead.

- As of January 1, 2017, our government cut all electricity bills by 8%, but we've heard that a bigger cut is needed.

- So we will increase this reduction to at least [*25%*] beginning in [*May 2017*] for at least the next [*four*] years.

- This will mean:

    - Average household saves: $XX per month ($XX annually)

    - Average small business saves: $XX per month ($XX annually)

- We'll do this by:

    1. Restructuring how you're billed for hydro. The clean, reliable electricity system we've built will benefit us for decades to come, so we are smoothing out the cost of that investment to reduce prices today and ensure fairness tomorrow.

    2. Moving all social programs from your hydro bill to government funding, recognizing they are for the common good.

- Our plan is the most significant restructuring of the electricity sector in a generation and the single biggest rate reduction in Ontario's history.

- It recognizes that the decision to clean up, modernize and make our system fairer was the right one – but that the costs of this decision should not be put on today's electricity bills alone.

- The investments we made to rebuild our electricity system had costs, and so do these changes, but we know they are the right thing to do to help people.

1) Global Adjustment

- Our plan is akin to refinancing a mortgage. When we got off coal and rebuilt our power system, we set up the system with 20 year contracts, or in other words, a '20 year mortgage' – it meant the prices increased in the near term to recover those costs, but would eventually stabilize and decline in the longer term.

- We recognize the cost of these 'mortgage premiums' have put pressure on many people across Ontario.

- So we're taking action to address this issue – and we're refinancing our 'mortgage' to more like 30 years. This will mean smoothing prices out over a more appropriate term.

- For example, transmission contracts are 30 years, nuclear contracts are 40 years, but contracted generation is only 20 years. This will bring it more in line with other contracts.

- Our action means that prices will decrease as of [*May 2017*] – but we will have to pay off our mortgage a bit longer as costs increases are smoothed out over a longer period.

- This spring we'll release the 2017 LTEP which will include a projection of where we think we are headed, but over the next four or five years Ontarians will see an immediate decrease in their electricity costs.

2) Tax-basing Social Programs

- As a government, we've been focused on ensuring that our electricity system has been fairer for families living in rural areas or with low-incomes.

- We currently offer both the Ontario Electricity Support Program and the Rural and Remote Rate Protection, which offer significant on-bill benefits to eligible households.

- These programs have been paid for through everyone's hydro bills over the years.

- We recognize that these programs have social value and benefit vulnerable people across Ontario.

- So, we will shift these programs from being paid for through your hydro bill to being paid for through government funding.

- This will reduce bills for everyone, and ensure these programs continue to serve those in need.

- As we move these to more appropriate funding, we'll also enhance these programs to provide enhanced relief for vulnerable families.

Other Actions to Reduce System Costs:

- This government has taken a number of steps to reduce overall electricity system costs and ensure electricity bills remain affordable for families and businesses.

- These efforts include:
  1. Removing all provincial taxes from electricity bills, saving families 8% on each bill ($130 annually for avg.)

  2. A new agreement with Quebec to import cleaner, cheaper power – reducing costs by $70 million over the life of the agreement.

  3. Suspending Large Renewable Procurement, avoiding $3.8 billion in costs to the system.

  4. Renegotiating the Samsung Agreement, saving $3.7 billion.

  5. Reduced Feed-In-Tariff prices, saving more than $1.9 billion.

  6. Deferring the construction of two new nuclear reactors at Darlington, avoiding $15 billion in new construction costs, and amended the Bruce nuclear refurbishment agreement, representing another nearly $2 billion in cost savings relative to projections in the 2013 LTEP.

  7. Continued operation of Pickering will save ratepayers over $600 million.

  8. Introducing dispatching rules for wind generators, saving over $200 million.

  9. Reducing overall costs associated with the FIT and microFIT programs by about $800 million, as a result of lower prices and reduced procurement capacity relative to the 2013 Long-Term Energy Plan (2013 LTEP) forecast. This represents an approximate reduction of about $0.32 per month on a typical residential electricity bill over the forecast period.