

Delivering the Largest Single Reduction to Electricity Rates in Ontario's History

Electricity is an essential part of people's daily lives. For decades, Ontario enjoyed one of the largest, most impressive and up-to-date electricity systems in North America. However, underinvestment by successive governments led to a system that was outdated and unreliable – resulting in instances of blackouts and brownouts.

Commented [RK1]: Is there a source for this?

The system was due for major upgrades, and since 2003, more than \$50 billion has been invested in electricity generation and grid infrastructure across the province, to ensure Ontarians benefit from a cleaner, more modern and more reliable system. In addition, about \$13 billion is being invested to refurbish the Darlington Nuclear Generating Station, to secure affordable, reliable, emissions free-power. Ontario also became the first jurisdiction in North America to end the use of coal-fired electricity generation, choosing instead to produce cleaner and renewable power.

The much-needed rebuilding of an aging and unreliable electricity system that depended on expensive electricity imports and dirty coal resulted in rapidly rising rates for many people across Ontario. The government recognizes that rates rose too much and too quickly, and that people want substantial relief from high electricity bills that will last.

That is why the Province introduced a plan in March 2017 to lower electricity bills by 25 per cent on average for residential customers as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness.

Starting this summer, Ontario's proposed Fair Hydro Plan would reduce electricity bills by 25 per cent on average for eligible households. Approximately 500,000 small businesses and farms would also benefit. Eligible low-income Ontarians and those living in eligible rural, remote or on-reserve First Nation communities would receive even greater reductions to their electricity bills.

As part of this plan, rate increases over the next four years would be held to the rate of inflation for residential customers and eligible farm and small business consumers. These measures also include an eight per cent rebate on electricity bills equal to the provincial portion of the Harmonized Sales Tax, effective January 1, 2017.

Taken together, these changes would deliver the largest reduction to electricity rates in Ontario's history.

Reducing Electricity Rates by 25 Per Cent

Ontario's proposed Fair Hydro Plan would reduce electricity bills by 25 per cent on average for eligible households, and approximately 500,000 small businesses and farms through the following measures:

- Recognizing that the electricity infrastructure that has been built is expected to last for many decades to come, the Province would refinance those capital investments to ensure that system costs are more equitably distributed over time.
- A number of important electricity support programs will now be funded by the Province rather than by ratepayers, which would reduce electricity costs for all consumers. These new measures will cost the government up to \$2.5 billion over the next three years.

These changes will allocate costs more fairly and ensure they are not disproportionately placed on the shoulders of today's electricity ratepayers.



Ontario is reducing electricity bills by 25 per cent on average to make everyday life more affordable.

Commented [RK2]: Past messaging has specified this as "many."

Commented [RK3]: As noted before, the GA covers not just capital.

However, it could be argued that the portion not being deferred includes the portion of the GA related to operating costs. Energy/IESO may have data on the proportions.

Support for the Fair Hydro Plan

"We are pleased that electricity ratepayers will see the positive benefits of [Ontario's Fair Hydro Plan] in the near future and for the commitment that rates will not increase beyond the rate of inflation for the next four years."

Alan Spacek, President of the Federation of Northern Ontario Municipalities (FONOM)
and Mayor of Kapuskasing, March 2, 2017

Providing Targeted and Expanded Relief for Rural, Remote, Low-Income and First Nation Customers

Providing Further Support for Rural and Remote Communities

The Rural or Remote Electricity Rate Protection (RRRP) program currently provides a rate subsidy to eligible rural and remote residential customers who face higher distribution costs compared to those in urban areas.

The Province intends to expand the RRRP to provide distribution delivery charge relief to a total of about 800,000 customers served by local distribution companies (LDCs) with the highest rates, including Hydro One R2 and R1 rate classes (residential low and medium density areas, respectively), Northern Ontario Wires Inc., Lakeland Power Distribution Ltd. (Parry Sound service territory), Chapleau Public Utilities Corporation, Sioux Lookout Hydro Electric Inc., InnPower Corporation, Atikokan Hydro Inc. and Algoma Power Inc.

Lowering Electricity Costs for the Most Vulnerable Consumers

The Ontario Electricity Support Program (OESP) is an income-tested, application-based program that lowers electricity costs for the most vulnerable, providing a rebate directly on bills. The Province is working with the Ontario Energy Board on the Province's proposal to increase the OESP monthly benefit amounts by 50 per cent which will significantly enhance the benefit that eligible consumers receive. The OESP would also become available to more Ontarians by introducing new eligibility categories.

To facilitate OESP-eligible Ontarians to receive their credits, the government is pursuing automatic qualification for customers who are enrolled in other provincial social assistance programs.

Promoting Energy-Efficient Improvements to Ontario Homes

The Province is establishing an Affordability Fund, which will provide support to Ontarians who do not qualify for low-income conservation programs so that they can adopt energy efficiency improvements to help reduce their future electricity bills. The Fund is being developed with input from electricity distributors and other stakeholders.

The Province is committed to supporting electricity conservation through existing programs such as the Home Assistance Program, the Heating & Cooling Incentive program, and the Save on Energy Coupon Event. Local natural gas distribution companies also offer conservation programs such as the Home Weatherization Program, Home Winterproofing Program and the Ontario Home Energy Conservation Incentive Program.

Providing a First Nations On-Reserve Delivery Credit

The Province is planning to introduce legislation that, if passed, would enable a First Nations On-Reserve Delivery Credit that would eliminate delivery charges for eligible households, saving them an average of about \$1,020 per year.

Support for the Fair Hydro Plan

"The elimination of the delivery charge will assist our citizens by reducing energy poverty in our communities. It also represents recognition for the use of the land in the development and expansion of the provincial energy grid... Today's commitment by the Ontario government is commendable and allows a path forward for greater quality of life for First Nations in Ontario."

Isadore Day, Ontario Regional Chief, March 2, 2017

Reducing Electricity Costs for Businesses

The government is continuing to lower electricity costs for businesses to help maintain a competitive environment. Ontario is proposing to further expand the Industrial Conservation Initiative (ICI) program by reducing the eligibility threshold from one megawatt (MW) to 500 kilowatts (kW) for targeted manufacturing and industrial sectors, including greenhouses. The ICI program helps consumers reduce their electricity bills by providing an incentive to shift consumption to off-peak hours.

This proposed change is in addition to the Province's existing actions to reduce electricity costs for businesses, such as providing ongoing annual support totalling up to \$120 million through the Northern Industrial Electricity Rate Program to qualifying large industrial facilities in northern Ontario and ending the debt retirement charge (DRC) for commercial, industrial and all other electricity users as of April 1, 2018.

Modernizing the Province's Electricity Markets

Ontario's commitment to lowering energy costs for ratepayers includes working with provincial agencies to identify opportunities to drive efficiency and productivity improvements.

- The Ontario Energy Board (OEB) regulates and licenses more than 70 LDCs and will identify opportunities to further drive transmitter and LDC efficiencies and productivity improvements, including the use of innovative technologies and business processes.
- The Independent Electricity System Operator (IESO) plans for the province's electricity needs, balances supply and demand in real time, and administers conservation programs. The IESO's Market Renewal initiative is estimated to save up to \$5.2 billion over a ten-year period, starting in 2021.

More details on these and other measures to drive costs out of the system, encourage conservation to help meet Ontario's climate change goals, and reduce the supply cost of electricity will be included in the Province's upcoming Long-Term Energy Plan (LTEP), which is expected to be released in spring 2017.