Ontario

BACKGROUNDER

Response to the Financial Accountability Office's Report on the Fair Hydro Plan

The Financial Accountability Office's (FAO) report on Ontario's proposed Fair Hydro Plan is does not fairly reflect Ontario Fair Hydro Plan. . In addition to introducing legislation that would, if passed, reduce costs for rate payers starting in the summer of 2017, the government is currently developing the 2017 Long Term Energy Plan (LTEP) which will include an updated projection of future electricity costs. While Ontario's proposed Fair Hydro Plan would rebalance electricity system costs so that they are shared more fairly over the years ahead, the Ministry of Energy is working closely with other Ministries, the Ontario Energy Board, Ontario Power Generation and the Independent Electricity System Operator to find future cost savings for ratepayers through the LTEP.

The government has a strong track record of taking significant steps to mitigate system costs, including:

- Renegotiating the Green Energy Investment Agreement (GEIA) in 2013, to reduce 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.

- Suspending the second round of the LRP process and the Energy-from-Waste Standard Offer Program, which is expected to save up to $3.8 billion in costs.

- Deferring the construction of two new nuclear reactors at Darlington. This was in response to the supply and demand expectations of the 2013 LTEP, avoiding an estimated $15 billion in new construction costs.

In addition, the FAO's report makes errors in assumptions regarding the funding of electricity cost relief support programs under Ontario's proposed Fair Hydro Plan. The proposed Plan would include enhancements to support programs that provide electricity cost relief to targeted vulnerable consumers. If the legislation is passed, the following programs would be funded by the taxbase: Rural or Remote Rate Protection, the Ontario Electricity Support Program, and the First Nations Delivery Credit.

The FAO report assumes that these programs would not be funded by the taxbase beyond 2020-21. This finding does not align with the authorities and obligations contained in the proposed legislation. The proposed Fair Hydro Act, 2017 includes requirements for the Minister of Energy to provide these support programs on an on-going basis, and for these programs to be funded from the taxbase. Previous costs funded by ratepayers would be transitioned to the taxbase, thereby reducing regulatory charge costs for all consumers. The proposed legislation contains no end date for these programs, and does not transition the new program enhancements to ratepayers. The government intends to provide these taxbased support programs on an enduring basis.

It is also incorrect for the FAO to assume that in 2020-21 “the cost of the RRRP may revert back to ratepayers, as described under schedule 2, section 1 of the proposed Bill 132, the Fair Hydro Act, 2017”. The proposed legislation would enable the Ministry of Energy to move existing RRRP costs to the taxbase. If passed, the Ministry of Energy intends to introduce a regulation that moves approximately 80 per cent of existing RRRP costs (those currently supporting Hydro One low density customers) to the taxbase. A small portion of RRRP currently supporting Algoma Power and Hydro One Remote Communities would be unaffected so as not to disrupt complex regulatory constructs governing this funding. This move would result in a substantial decrease in RRRP regulatory charges to customers, and the Ministry of Energy does not intend to return these costs to the ratebase – as mentioned above, the government intends to fund these costs from the taxbase on an enduring basis.