

Key Considerations Associated with the Global Adjustment Proposal

REFINANCING THE GLOBAL ADJUSTMENT THROUGH AN EXTERNAL AGENCY: KEY CONSIDERATIONS	
ADVANTAGES	DISADVANTAGES
▪ Immediate reduction in residential electricity costs over the short-term (from \$14 to \$28 per month depending on borrowing option). ▪ Would provide short-term economic stimulus by reducing costs to consumers of up to \$2 to \$3 billion for the first few years.	▪ Will impose higher costs on ratepayers in the future which will act as a drag on the economy. ▪ Longer-term impact on rates: future electricity bills over 12 to 17 years could be as much as \$46 to \$51/month over true costs of electricity. ▪ Would legislate a tax/fee (similar to the DRC) in order to recover borrowing and interest costs in the future. ▪ Total costs (debt and interest) could reach up to \$65 billion to fund a \$25/month reduction for the first few years.
▪ Currently, the Global Adjustment recovers costs related to the contractual life of generation assets (e.g., 20 years). ▪ Many of these assets can operate well beyond their current contracts. ▪ Refinancing to better reflect the useful life of these assets smooths the costs for ratepayers over a longer timeline.	▪ Based on current analysis, only about \$9/month could be justified in amortizing contracts (i.e., 20 years or less) over the useful life of the underlying assets. ▪ Reducing electricity rates even more would be dependent on increased borrowing only.
	▪ A new entity would need to be created independent from government and oversight from legislative officers to ensure that the cost deferral is outside of the government's fiscal plan. ▪ After initial set up, government would have no control of the entity, including future rate increases. ▪ The entity would not be accountable to the government. Level of public accountability would depend on how the entity is established (e.g., under the <i>Development Corporation Act</i>).
	▪ Requires significant legal analysis to ensure proper implementation and avoid unintended consequences on fiscal plan. ▪ Risk of the Auditor General reversing the accounting treatment which would impact the deficit by up to several \$ billions.