The *Fair Hydro Act, 2017* came into effect on June 1, 2017. The *Act* puts in place the framework for giving effect to the Fair Hydro Plan initiatives that the government has stated will:

- lower electricity bills by 25% on average for all residential customers and as many as half a million small businesses and farms;
- hold increases to the rate of inflation for four years;
- provide additional bill relief for residential customers in rural or remote areas of the province and for on-reserve First Nations residential customers; and
- remove the cost of certain electricity-related programs from electricity bills, and instead fund those programs through taxes.

The *Fair Hydro Act, 2017* will affect different parts of an electricity bill in different ways for different customers. For example, lowering electricity bills and holding increases to the rate of inflation would affect the part of the bill that covers the cost of the electricity that customers use in their homes or businesses. The additional bill relief for eligible rural, remote and on-reserve First Nations customers, on the other hand, would affect the part of their bills that covers the cost of delivering electricity to their homes. For an explanation of the different parts of an electricity bill, click here.

This page explains how the *Fair Hydro Act, 2017* will affect different parts of electricity bills, starting this summer. It also explains that the *Fair Hydro Act, 2017* is not a distribution or transmission rate freeze. Utilities may still apply to the Ontario Energy Board (OEB) for approval to change their distribution or transmission rates. The OEB will continue to review and test any proposed rate changes through the same open, robust and inclusive process that we use today, and to make decisions that serve the public interest.

Electricity:

The **"Electricity"** line of your bill covers the cost of the electricity you use in your home or small business. If you buy your electricity from your utility, the electricity prices on this line of the bill are set by the OEB and are referred to as the Regulated Price Plan or RPP. For most customers, these are time-of-use prices.

The Electricity line is where you will see most directly the impact of the reduction required to lower electricity bills by 25% on average for all residential customers and many small businesses and farms. The effect will be to reduce your total bill when compared to what it would have been without the *Fair Hydro Act, 2017*. The Electricity line is also where you would see the direct impact of holding increases to the rate of inflation. The *Fair Hydro Act, 2017* refers to these changes under the heading "fair adjustments". The fair adjustments are seen on the Electricity line of your bill because the *Fair Hydro Act, 2017* is mainly about spreading the cost of Ontario's investments in electricity supply over a longer period of time.

A couple of things to keep in mind about the 25% fair adjustment:

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- The 8% rebate that came into effect on January 1, 2017 is part of the 25%. It is not in addition to the 25%. This rebate will continue to be funded through taxes.
- The impact of removing the cost of the Ontario Electricity Support Program (OESP) and most of the cost of the Rural or Remote Electricity Rate Protection (RRRP) program from electricity bills is also part of the 25% reduction. The government has stated that it intends for these programs to be largely funded through taxes.

  To protect consumers, the OEB took into account part of the reductions that had been announced as part of the Fair Hydro Plan when it set RPP electricity prices on May 1, 2017. So if you are buying your electricity from your utility, you are already seeing part of the bill reduction.

Except where intended to be funded through taxes, the fair adjustments are intended to be funded through a refinancing of a portion of the costs of the Global Adjustment (GA). In later years, the cost of this refinancing will be recovered through adjustments to electricity bills called a Clean Energy Adjustment. The government currently expects that Clean Energy Adjustments will start to appear on electricity bills in the mid- to late-2020s.

How the 25% fair adjustment works:

If you buy your electricity from your utility, you will see this fair adjustment in the form of lower electricity prices. The OEB must set new RPP electricity prices by June 22, 2017. You will pay these lower electricity prices for electricity that you use starting on July 1, 2017 and ending on April 30, 2018.

When the OEB sets the new RPP electricity prices, it will follow the rules in the *Fair Hydro Act, 2017* and in a proposed new regulation.

- The *Fair Hydro Act, 2017* says that the goal in calculating RPP electricity prices is to achieve the fair adjustment for a proxy customer who has certain characteristics that are expected to be set out in the proposed new regulation. Because the RPP prices calculated for this proxy customer will apply to all RPP customers, the total bill impact for individual customers across the province can vary depending on the customer's electricity usage and the utility that serves them.

If you have a contract with an energy retailer or have opted out of the RPP, you are also eligible for a fair adjustment starting July 1, 2017. Because you are not paying RPP prices, you will see the fair adjustment in a different way. It will be in the form of a reduction in the Global Adjustment (GA) charges that appear as a separate line item on your electricity bills. We refer to that reduction as the "GA modifier".

- The OEB must set the GA modifier by June 22, 2017, and it will be in effect from July 1, 2017 to April 30, 2018. The GA modifier will lower your GA charges for electricity that you use in each month during that period. The GA modifier will also benefit customers that are not eligible for the RPP but are eligible for the 8% rebate (for example, eligible institutional residential complexes).

- When the OEB sets the GA modifier, it will follow the rules in the *Fair Hydro Act, 2017* and in a proposed new regulation.

If you live in a condo or apartment that has its own individual meter and your bill comes from a company other than your utility, you are a customer of a unit sub-meter provider. You are still eligible for a fair adjustment. The rules that apply in this case are expected to be set out in a proposed new regulation.

How the rate of inflation fair adjustment works:

Starting May 1, 2018, the OEB will set new RPP prices and a new GA modifier. The rules that the OEB will follow are expected to be set out in a proposed new regulation, but the government has stated that it intends for increases to be held to the rate of inflation.

Delivery:

The **"Delivery"** line of your bill covers the cost of delivering electricity from generating stations across the province to your home or business through high voltage (transmission) and low voltage (distribution) lines.

For most consumers, the bulk of the impact of the *Fair Hydro Act, 2017* would be on the Electricity line of their bills. As mentioned earlier, that is because the *Fair Hydro Act, 2017* is mainly about spreading the cost of investments in Ontario's electricity supply over a longer period of time. It is not about freezing distribution or transmission rates. Your utility needs to continue to maintain its existing wires, equipment and buildings and invest in new ones when needed so that it can keep providing you with the reliable supply of electricity and quality of service that you need for your home or business. Sometimes, that means that the distribution or transmission rates for your utility may need to go up to cover the cost of providing that service. So, some consumers in the province will see their delivery rates fluctuate from time to time over the coming years. But the impact of any distribution or transmission rate increases will be mitigated by the fair adjustments that will take place through their electricity prices.

This means that the OEB's work in reviewing rate applications is just as important under the *Fair Hydro Act, 2017* as it has always been.

> *The proposed [Fair Hydro] Plan is not intended to limit the OEB's mandate to set just and reasonable rates or payment amounts. The government fully expects that the OEB will continue exercising its mandate in the public interest as it does today.*
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> Letter from the Honourable Glenn Thibeault, Minister of Energy, to Rosemarie Leclair, Chair & CEO of the OEB, April 10, 2017

Utilities must still apply to the OEB if they want to change their rates. And it is up to the utility to prove to the OEB that any increases in their costs are justified and why. Before being allowed to raise rates, utilities must show that they are doing everything possible to be more efficient and keep improving. The OEB will continue to help control costs through its open, robust and inclusive process for reviewing and testing proposed distribution rate increases. And we have a very strong track record of doing just that:

- Since 2009, the OEB has reviewed more than 130 major rate applications and reduced requested rate increases by an average of about 40 per cent.
- Overall, the OEB has kept the annual growth in average distribution rates close to the rate of inflation during the same period.

How Delivery line changes work for eligible customers:

Under the *Fair Hydro Act, 2017*, two new programs will provide additional electricity bill relief for certain electricity customers in the province. Unlike the fair adjustments described above, no intended end date has been announced for these new programs.

Distribution Rate Protection (DRP)

- About 800,000 consumers in the Province will benefit from a new program called the Distribution Rate Protection program or DRP. The government has stated that it intends for this program to benefit customers in Hydro One's two mainly rural rate classes, as well as residential customers served by the following utilities: Algoma; Atikokan; Chapleau; InnPower; Lakeland (Parry Sound service area); Northern Ontario Wires; and Sioux Lookout.
- Under the DRP, the OEB will set a maximum monthly distribution charge for eligible customers. This cap will result in an immediate decrease in distribution charges paid by most eligible customers. The benefit that individual customers will see will vary depending on the utility that serves them.
- The method by which the OEB will set the maximum charge is expected to be set out in a proposed new regulation. Based on information available now, the OEB estimates that the maximum charge will likely be about $36.
- The government has stated that it intends for the maximum charge to apply to electricity used on and after July 1, 2017, and for this program to be funded through taxes.

First Nations On-reserve Delivery Credit

- On-reserve First Nations customers will receive a credit to off-set the costs covered by the Delivery line (or the monthly service charge for utilities that do not have a separate Delivery line). Details are expected to be set out in a proposed new regulation, but the government has stated that it intends for the credit to apply to on-reserve First Nations households served by licensed utilities, to cover 100% of the Delivery line costs and to apply to electricity used on and after July 1, 2017, and for the program to be funded through taxes.
- In 2016, the OEB engaged with First Nations and the utilities that serve them and submitted a report to the Minister of Energy on options for electricity rate assistance for on-reserve First Nations customers. Based on information we collected at the time, about 21,500 on-reserve residential customers are served by the following utilities: Algoma; Attawapiskat; Bluewater;

Cat Lake; Cornwall; Fort Albany; Kashechewan; Hydro One; Hydro One Remote Communities; PUC (Sault Ste Marie); and Thunder Bay Hydro.

The OEB will continue to set distribution rates for the utilities mentioned above that are covered by these two programs, using the same rigorous process that it uses today. Like all utilities in the province, these utilities need to continue to maintain existing assets and invest in new ones when needed so that they can keep providing the reliable electricity supply and quality of service that their customers need for their homes or businesses. To the extent that these two programs mean that the cost of providing that service is not recovered from their customers, the difference is intended to be funded through taxes. So, the OEB still has an important role in ensuring that these utilities provide an appropriate level of service quality to their customers at a reasonable cost, and that they are doing everything possible to be more efficient and keep improving.

Regulatory Charges:

The **"Regulatory Charges"** line of your bill covers the cost of operating the wholesale electricity market and maintaining the reliability of the province's high voltage power grid. It also includes the cost of funding the Rural or Remote Electricity Rate Protection (RRRP) program, which helps to offset the higher cost of providing electricity service to customers in rural or remote areas of the province. Until recently, the Regulatory Charges line also included the cost of the Ontario Electricity Support Program (OESP), which provides eligible low-income customers with monthly on-bill credits to reduce their electricity bills.

The government has stated that it intends for the cost of the OESP and most of the cost of the RRRP program to be removed from your electricity bill and be funded instead through taxes.

OESP

- From January 1, 2016 to April 30, 2017, all electricity customers in Ontario paid a charge of 0.11¢/kWh to fund the cost of the OESP. The OEB removed the OESP charge from customer bills as of May 1, 2017.
- The OESP will continue to help eligible low-income customers. But the government has stated it intends for the program to be funded through taxes once the existing funding runs out.

RRRP

- Electricity customers have been paying for the cost of the RRRP program for many years. The current RRRP charge is 0.21¢/kWh, much of which has been helping to off-set the cost of serving eligible customers in one of Hydro One's two mainly rural rate classes.
- The government has stated that it intends for electricity customers to pay a smaller share of the cost of the RRRP program, with the rest being funded through taxes. As a result, the RRRP charge on customer bills would be substantially lower.

- The OEB will reduce the RRRP charge in accordance with rules that are expected to be set out in a proposed new regulation. The government has stated that it intends for the reduced RRRP charge to apply to electricity used on and after July 1, 2017.