

Ministry of Energy

Office of the Minister

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Ms Julie Kwiecinski
Director of Provincial Affairs
Mr. Ryan Mallough
Policy Analyst
Canadian Federation of Independent Business
401-4141 Yonge Street
Toronto ON M2P 2A6

Dear Ms Kwiecinski and Mr. Mallough:

Thank you for your letter regarding Ontario's Fair Hydro Plan.

Our plan proposes new measures to lower electricity bills for many small businesses across the province. This includes a number of initiatives, such as the refinancing of a portion of the Global Adjustment (GA), the funding of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) through provincial revenues, and the existing eight per cent rebate. These measures build on previously announced initiatives to deliver broad-based rate relief on all electricity bills, and would deliver the single-largest reduction to electricity rates in Ontario history.

The GA is the mechanism that recovers the long-run cost of operating Ontario's generation fleet, as well as the cost of conservation programs. The majority of the province's electricity generators have 20-year contracts. Many of these generators will be able to operate past their contract term, meaning that generating assets are expected to have ongoing useful life and will benefit future ratepayers by reducing the need to finance the development of new generating assets.

To relieve the current burden on ratepayers and share costs more fairly, a portion of the GA would be refinanced. Refinancing the GA would provide significant and immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing would be recovered from ratepayers.

The Province intends to align eligibility for GA refinancing with the *Ontario Rebate for Electricity Consumers Act, 2016*, which provides the existing eight per cent rebate for all residential consumers, farms, long-term care homes, condominiums and many small businesses. Small businesses that meet the act's eligibility and have signed contracts with electricity retailers would also be eligible.

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Business of all sizes would benefit from shifting the cost recovery for support programs to provincial revenues. We are proposing to shift the cost of the OESP and the RRRP program from being paid for through electricity bills to being paid for through provincial revenues. This action would provide a benefit of approximately \$3 per megawatt-hour for all consumers.

The government is working hard to put these rate relief measures into place as soon as possible. We intend to introduce legislation that would, if passed, enable the Independent Electricity System Operator and Ontario Power Generation to work together to refinance the GA over a longer period of time. The legislation would also outline the role for the Ontario Energy Board (OEB) as it relates to the financing proposal.

It should be noted, however, that several portions of the announced plan are currently being implemented via existing regulatory structures as well as the delegated authority vested with the OEB. It is expected that the benefit of GA refinancing would be reflected in OEB's Regulated Price Plan rates effective May 2017.

I appreciate your interest in ensuring that your members are well informed about our plan, and suggest that you would benefit from a detailed briefing by Ministry of Energy staff. Please contact Steen Hume, Assistant Deputy Minister of the Energy Supply Policy Division, at Steen.Hume@ontario.ca to make arrangements.

Thank you again for writing and please accept my best wishes.

Sincerely,

Glenn Thibeault
Minister

c: Serge Imbrogno, Deputy Minister of Energy
Andrew Teliszewsky, Chief of Staff, Minister's Office