Media Event: Minister Thibeault Announces Fair Hydro Act

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Attachments: May 11 - Minister Thibeault Announces Fair Hydro Act.doc (136.7 kB)

MINISTER THIBEAULT ANNOUNCES FAIR HYDRO ACT

May 11, 2017

Time / Location:
2:00 p.m. / Media Studio, Queen's Park

Speakers:
Minister Thibeault; Jeffrey Lyash, Ontario Power Generation. MPPs Todd Smith and Peter Tabuns responded to the announcement afterwards.

Media Attendance:
Print – 5
TV – 7
Radio – 1

Media Outlets:
Ferguson – Star; Jeffords – Sun; Zochodne – QP Briefing; Brule - Radio Canada/CJBC; Moore – Newstalk 1010; Bliss - CTV Ontario; Rath - CHCH Television; Tumelty - City TV; McGrath - TVO

Statement:
Minister Thibeault: I'd also like to acknowledge Jeff Lyash, the CEO of Ontario Power Generation who is joining me here this afternoon. So today the government has tabled the Fair Hydro Act 2017, which would, if passed, create the lasting legislative architecture to fulfill our government's announced commitment to lower electricity bills for the typical residential electricity customer by 25 per cent on average. This legislation is composed of two important schedules. The first would enact the Ontario Fair Hydro Plan of 2017 that will establish and govern the borrowing platform our government announced back in March. The second would make related amendments to the Ontario Energy Board Act 1998 to shift important social programs from the rate base to the tax base. And I'd like to address each of these parts in turn. So announced by the Premier back in March, in developing Ontario's Fair Hydro Plan, our government consulted widely with industry experts, as well as customer groups and everyday Ontarians. That review led us to the conclusion that today's electricity ratepayers are bearing the costs of significant upfront capital investment that had been driven largely by clean energy initiatives, which eliminated the use of coal as a means of electricity generation and virtually eliminated smog days in Ontario. Our scan of other jurisdictions, and notably US jurisdictions, provided a framework for spreading out costs of these clean energy initiatives more equitably over time. So the refinancing of the global adjustment is the result of that undertaking. Importing this US model has meant careful and coordinated legislative drafting. In preparing this section of the legislation, our government has worked with financial, accounting, and legal experts to bring forward a framework that works for the Canadian marketplace. We found that we had to make modifications as we imported the approaches used in US jurisdictions to apply in Ontario.

Our legislation will enable the refinancing of the global adjustment today and establish the borrowing platform regime for the next 30 years. And so to that end, I want to highlight three elements of this legislation that I want to ensure are not misunderstood.

So the Fair Hydro Act 2017 would allow future increases to hydro bills to be set by regulation. This enables the government's commitment to hold increases for four years to the rate of inflation. So by including these measures in regulation, it offers the province flexibility to respond to potential fluctuations in rates given in...given in any given year. So now, in the early years, it is intended that a portion of the cost covered by the GA would be refinanced to lower hydro bills for today's electricity ratepayers.

In later years, the cost of refinancing would be recovered through adjustments to consumer hydro bills called the Clean Energy Adjustment. The Clean Energy Adjustment would appear on bills when consumers start to repay the borrowed amount. An initial analysis indicates that this would occur in the mid to late 2020s.

Also, this legislation will enable the province to provide guarantees to investors to protect investors from risks that cannot be otherwise mitigated. For example, guarantees will address the risk to investors that future governments may undermine their investments by impairing the recovery of the Clean Energy Adjustment.

These clauses have been carefully crafted to both achieve our rate relief objectives, and also create a borrowing platform that can obtain the highest possible credit worthiness, in an effort to manage the interest costs that will accrue as part of the global adjustment refinancing.

Our government has always been clear, like the mortgage on your house, this regime will cost more as we refinance over a longer period of time. But this is a more equitable and fair approach when we consider the lifespan of the clean energy investments, generating stations across our province. The Ontario Energy Board has already taken a portion of the GA refinancing into account when they reset time-of-use rates at the time of their standard spring reset. And as you know, the decision of the OEB has meant that rates were already reduced by 17 per cent beginning March or May 1st.

Included in this legislation is a requirement that the OEB update time-of-use rates no later than 15 days after the proposed legislation receives Royal Assent. The second section of this legislation will enable the enhancement and expansion of vital social programs that have been previously paid for by all electricity ratepayers. The Rural Remote Rate Protection program or the RRRP, as many of us call it, provides a rate subsidy to customers in the hardest to serve parts of our province.

Our government is expanding this benefit to help about 800,000 residential customers via meaningful reductions in the distribution charges on their electricity bills. The Ontario Electricity Support Program or the OESP program, as many of us call it, is already in market for over a year. It is also being increased by 50 per cent, expanding eligibility for low-income consumers via reductions to their total bill each and every month. As well, a new First Nations on reserve delivery credit, recognizes the unique socio-economic considerations of Ontario's Indigenous communities, and will eliminate the delivery charge for on-reserve households. By moving these costs to the tax base, we are helping to relieve all ratepayers - residential, commercial and industrial - of billions of dollars that would otherwise have appeared on their electricity bills. These measures will cost the provincial treasury about 2.5 billion dollars over the next three years.

In a very real sense, Ontario's electricity consumers are among the first beneficiaries of our government's balanced budget. But now I want to address the political backdrop of the day. We're about a year away from a provincial general election and we are in the last few weeks of the spring legislative session. And I know it’s the role of Opposition parties to review and question the government's legislative initiatives. I know this role from my time on Parliament Hill. And that's part of the beauty of our parliamentary democracy. But since Premier Wynne introduced the Ontario Fair Hydro Plan on March 2nd, neither Opposition party has raised substantial concerns with any of these specific measures. Many of you in the media have asked when this legislation would be introduced. And so as I've just outlined, we are proposing to establish a legislative framework that will govern a borrowing plan for the next 30 years. And so we took the time to get this right. In the year 2030, Ontario ratepayers won't be asking us why we took a few extra weeks to ensure that we got this bill drafted appropriately. So in the days ahead, the House will debate this legislative framework and I'm calling on both Opposition parties to support the Fair Hydro Plan act 2017 to ensure that Ontario families can see the full 25 per cent rate relief in time for Canada Day. As we've recently seen in the House, the Opposition can seek to delay or undermine passage of important pieces of legislation. But I think it's important to say that our government isn't playing games with this one. And I hope that in this instance both Opposition parties will do the same and support real, meaningful relief for Ontarians.

So to conclude, I want to thank Jeff Lyash for his help, for getting us to where we are today. As you'll recall from the technical briefing back in March, and the refinancing of the global adjustment will be managed by the OPG, and so as an organization they are best placed to manage the borrowing platform because they have an established relationship with bond markets, an already meaningful way to manage a multi-billion dollar segregated fund for the eventual decommissioning of Ontario's nuclear fleet, and as a chief executive Jeff has the experience with the form of refinancing platform that we are enabling via legislation today. And with that, I'm looking forward to taking your questions.

Media Questions:

Q. Jeffords: Minister, the document that Tories dropped, the Cabinet document, it appears to show that rates are going to soar between 2022 and 2028, 6.5 per cent increases a year, 10.5 per cent in 2028. Is this just a plan to save your electoral bacon in the next election?

Thibeault: So first off, I've been in this position for 11 months. I've seen literally thousands of graphs. So for any confidential document, I can't verify it. But what I can tell you is the number is inaccurate. We are working hard right now to continue to pull costs out of the system. Let's be clear, I've said this from the beginning, and I said it in my speech. This plan, the Fair Hydro Plan, will cost more, and it will take us longer to pay off. But if you look at what we did with the 2010 long-term energy plan, the projection of the long-term energy plan in 2010 said our bill was going to be about $178 in 2017. And our 2013 long-term energy plan, the graph in that one said that our bill would be about $170. On average, today, our bills are about $156. And why is that? Because we've pulled costs out of the system. So we've talked about the $3.5 billion that we were able to renegotiate from the Samsung agreement. That's costs that came out of the system. We renegotiated the FIT contracts. That was another billion dollars in savings that we pulled costs out of the system. One of the first things that I did was suspend the LRP2, and that pulled billions of dollars of costs out of the system. So that graph, that chart, has come down every time. So for us, we're working on the next long-term energy plan. The 2017 long-term energy plan is the document that will be guiding where rates are going to be going in the future. So, as I said, it's not a coincidence on me and it shouldn't be a coincidence on anyone in the media gallery that on the day that we announce that we're bringing forward a plan that is going to be reducing families' bills by 25 per cent is the same day that a party that doesn't have a plan brings forward this document. To me that's not a coincidence.

Q. Jeffords: So are you disputing the authenticity of the document or the numbers in the document?

Thibeault: So, again, as I've said, I've seen thousands of documents in my time as minister, just working on this particular file. We've had hundreds of briefings with hundreds of documents. We've probably kept the forestry sector in northern Ontario going, which is great, right? But you know I can't comment on one graph when we've been working on many, many scenarios. And like I said, we have continued to look at the long-term energy plan, the 2017 long-term energy plan, as the document that will actually help us keep our costs down. I've been talking in speeches that I know that you've been at as well about market renewal, market reform, capacity auction – those will take costs out of the system. We're not right now projecting, you know, in 2024 what the Canadian GDP will be or what the Canadian dollar will be, so it's hard for us to actually put where the price of a commodity will be; but what we can do is forecast, and the forecast that we've brought forward will continue to see costs coming out of the system and costs being lower.

Q. Moore: So you're saying that you don't know whether what's in that document is accurate or not? (Inaudible) Minister, it seems like a pretty important piece to your planning for this (inaudible).

Thibeault: So – but my point is, there's been many, many documents that we have seen as Cabinet, and our forecast when it comes to where we're projecting our power, and where our costs of power are going to be, are going to be in the long-term energy plan. So, again, when you look at where we're projecting for the next four years, we're keeping that to the cost of inflation. But we already have our IESO working on market renewal. We already have our IESO working on – bringing forward the capacity auction. And part of the Ontario – the Fair Hydro Plan, we've actually asked the Ontario Energy Board to work with our LDCs, to work with all of our utilities to find ways to reduce costs even more. So we're going to continue to find ways to pull costs. So the upcoming long-term energy plan will predict where we're seeing our costs going to continue to work as Energy Minister going, and that's going to be in the very near future, but I'm, as I've been saying all along, to continue to find ways to pull out costs from the system.

Q. Bliss: So Minister, what will the price of electricity be in five years?

Thibeault: Paul, there's really no way for me to say what that cost is going to be. Right now we're working on the long-term energy plan. So –

Q. Bliss: (Inaudible) the number in the Tory document is inaccurate?

Thibeault: Because right now there's many, many plans that were – you know we looked at in the past, but what we're doing right now is we're creating the long-term energy plan, which is going to actually have our forecast where prices are going to be. That hasn't come out yet; and so to say that the one document that the Tories have brought forward is the only document that had a forecast – let's not forget that even when we talked about at the technical briefing, we were talking about how there's going to be an increased cost, but we also know that costs are going to come down with the global adjustment right? So the global adjustment is going to continue to come down. That again is going to remove costs from the system. So the long-term energy plan, the one document I'm trying to give as an example for everyone, is look to the 2010 LTEP. Look to the 2013 LTEP. In both of those documents, we said that costs were going to be at $178 and then $170, and right now we're at $156. We've pulled costs out of that system. So the long-term energy plan that we're going to be introducing, in very short order, will have a forecast of where we foresee our cost is going to be, and we should be able to continue to pull costs out of that system through market renewal, through market reform, and through the capacity auction.

Q. Ferguson: And on the cost of the global adjustment and how all this works out over the 30 years, I understand that in the first 10 years or so, the cost of the global adjustment that we're all paying (inaudible), and it's kind of backend loaded more in the last 20 years, and yet you keep calling this a mortgage. In my mortgage, I paid my higher interests costs upfront and I paid down (inaudible) the principal upfront and you know as you go along in a mortgage. So doesn't this seem like the reverse of mortgage as it's structured?

Thibeault: Well we're using that to actually – to help people understand what we're doing right? So when you refinance a mortgage, it actually extends the amount of time you need to pay this off. We were actually saying – and I know you've heard me say this before, Rob – is we financed many of our generating assets over 20 years. And so the cost for getting those generating assets cost us significantly upfront, but we would've paid it off sooner. So by bringing forward the Fair Hydro Plan, by extending that mortgage, or extending that contract that we have to 30 years, we're actually able to bring the costs down now significantly by 25 per cent. But over time, through long-term energy plan, we'll see where our costs are going to make sure that repayment plan comes back. And as I mentioned in my speech, we're talking about somewhere in the mid to late 2020s for when we will see that coming online to paying that back through the – sorry I'm drawing a line – the clean energy adjustment is what I've called it.

Q. Ferguson: Yeah, so that will be a separate line item on the bill?

Thibeault: That will be a separate line item on the bill, and that will be when we start to repay the amounts that we refinanced.

Q. McGrath: (Inaudible) Legislature eight days to read a bill that, even if it does everything you want, it's going to massively change the government's financing and energy policy and it's going to buy into the Government of Ontario up into the 2040s. And this was to go through second reading committee hearings and third reading in eight days. How is this anything other than a show of contempt for the opposition?

Thibeault: So as I said in my speech, we're always more than willing to work with the opposition. We gave them a technical briefing. We've offered technical briefings again to help explain the whole process and what's included in this bill. We want to ensure that we got this right. We worked with accounting experts, we worked with legal experts, we worked with industry experts to make sure that as we continue to move forward with, as you said, going into the 2040s, that the generating assets that we have, will continue to last during that time; to make sure that the financing that we're doing as a government will benefit not only the people today, who will see lower rates, but people who will be using those assets in the future pay their fair share.

Q. McGrath: But the opposition isn't obligated to trust your work. They're actually supposed to double check your work, and you haven't given them enough time to do it. So.

Thibeault: Well I think there's plenty of time for actually to review this bill with the briefings that we're providing and with the expert opportunity – the experts that who have been involved with this, who will be talking with you know anyone who's interested in getting that information.

Q. Brule: (in French) Mr. Thibeault, why do you say that the numbers we got today aren't good?

Thibeault: (in French) Would you give me the question in English and I will speak in French?

Q. Brule: Why are you saying that those numbers you see to be above predicted (inaudible) in bills? Why do you say they're not right?

Thibeault: (in French) Because there are many graphs and I see a lot of graphs, but for me, as Minister of Energy, I saw five graphs today. But this is not an opportunity for me to understand the situation (inaudible) this document. But for me, I work with the industry and the (inaudible) to create the new plan, the Long-Term Energy Plan. And for me, the line for the future energy price is in the new plan.

Q. Rath: Are documents presented to Cabinet often false or wrongheaded or fantasy?

Thibeault: So the documents that we provide to Cabinet are, again, topics for discussion and we're always making sure that every document that we have outlines our plans and you know plans change, information changes, and for us making sure that we continue to evolve, and you're talking about costs, especially in the energy system, we will find ways to continue to remove costs from the system. And that's been evident by the history of this government, by pulling costs out from the 2010, from 2013, and I'm sure we'll continue to find ways to pull costs out once we bring forward a 2017 long-term energy plan.

Q. Bliss: Minister, is the debt retirement charge coming back?

Thibeault: Debt retirement charge is not coming back.

Q. Bliss: Is any form of a debt retirement charge coming back?

Thibeault: The debt retirement charge is not coming back.
Q. Bliss: Could we see something different called something (inaudible)?

Thibeault: The debt retirement charge related to you know the old Ontario hydro and some hidden costs that were in place that no one knew about and then had to be repaid. So the debt retirement charge isn't anything that we're talking about.

Q. Bliss: Sorry, I just want to ask Jeff – when the Liberals announced their plan to bring in the 17 per cent reduction in addition to the 8 per cent, a lot of the criticism was that they were mortgaging our future. They were pushing the numbers and the payments out into the future. You've had a chance to look at those numbers now. Should Ontarians be fearful of the numbers that you're seeing? I mean would you equate it to mortgaging our kids' future?

Lyash: Well a lot of this is to be determined over the coming years and months. There are plenty of models that take a look at how this might perform. To your question, Paul, from my personal point of view, the province has clearly made a big investment in the energy system, and that cost rolled through and been borne by the customers, and it is not unusual in this kind of a sector to take those costs and spread them over a long period of time so that the benefit lines up better between cost and who is receiving the benefit. Philosophically, it looks to me like that's what underlies this. Now you can – there are various ways to tackle this – OPG's role in this, when asked by the government to evaluate whether we could add value, was to fundamentally act like the financial service manager at the bank. To make sure that whatever gets implemented here has the right underlying basis, can ensure broad access to capital markets, the lowest achievable cost for the customer, in terms of the financing, is something that is transparent as it's implemented year on year over this period of time.

Q. Bliss: Should we be scared of them though, Ontarians?

Lyash: No. I personally wouldn't be scared. I think this is something that you will see fairly transparently over a period of years and be able to make judgment on, not just at the front end, but as it's executed.

Q. Zochodne: OPG is refurbishing a nuclear power plant. It's trying to extend the life of another. Does it have the time to act as the government's bank for this Fair Hydro Plan?

Lyash: That's a good question. When the province asked us whether we could be constructively involved, we took a look at why this would fit with OPG. OPG has existing relationships with the OEB, the IESO, we understand the market very well, we understand these assists very well. More than that, we have $33 billion of investments under management, actively, so we interface with the investors in the financial markets on a daily basis. We finance very large projects. We just finished (inaudible) where we to the debt markets to do that. So the sort of core skills that it takes to execute this, we already have residing in OPG. Now, in implementing this, we'll set up a special purpose vehicle, distinct from the rest of our operation to make sure that the right focus is on this, and that we can see very clearly what's transpiring in this entity. So the answer to your question is: I don't see this detracting from our overall operation. We got the scale and the skills to do this effectively.

Q. Zochodne: Are you going to create like a holding corporation that all it does is build up debt and then the interest payments come and pay off that debt?

Lyash: Yeah, we'll create what's called a special purpose vehicle. It's a bit of jargon, I understand, but it will be ring-fenced off from the rest of OPG. As the Fair Allocation Plan is provided though, the OPG and the IESO, it will be clear what the amount of financing is required, and then OPG will put that financing plan together, we'll face the capital markets, we'll secure that debt, and we'll use that debt to buy those asset, and the asset is the promise to pay the principal in interest over the extended period of time. That will operate as a separate entity within OPG.

Q. Zochodne: Who is going to be investing in this vehicle?

Lyash: Well OPG will provide some investment directly. The province will provide some investment, but the majority will come from the capital markets. These are bond holders who have an appetite for this sort of long-term investment, and we'll structure that to try to achieve the lowest interest rates we can on the financing. You know, OPG's focus, being owned by the province, is on trying to secure the lowest cost for the customer. So we do that with our generating fleet. We're always looking to take cost out. So it's within our character to take on something like this and focus on delivering this most efficiently and for the lowest price that we can.

Q. Unidentified: What do you expect the financing cost to be under the plan?

Lyash: We'll have to see what the market does for us. I think we also need to wait to see the final legislation so I don't want to get ahead of that. There's legislation implementing regulations that, through our involvement, have been designed to provide the right level risk for the investor, and the right assurances for the investor. So I would expect the nominal rates here to be fairly low. We think about this as nominally 5 per cent. Interest could be less depending on how this develops over a period of time.

Q. Zochodne: But it's not inconceivable then that somebody's hydro bill could be helping the bottom line of, like, Goldman Sachs or any of these banks out there?

Lyash: Well any asset – any capital investment that you make in the electricity system is financed, and so you go to the capital markets for equity or debt, and that's embedded in the price of whatever asset you build, whether it's a transmission line, a coal station, a windmill; this is no different than that.

Q. Unidentified: Do you have a sense of what the size of that fund will be? (Inaudible) vehicle.

Lyash: What, the size will be? Well, over time, I would expect the principal in here to build up as was pointed out earlier, and then we'll turn around. We'll pay off principal along with interest with a zero balance out in 2047. The exact peak of whatever that balance will be will depend on how effective Ontario is at managing the energy system and continuing to find ways to take costs out of it in the long-term. So we will model this various ways to predict what future outcomes might be, but a significant part depends on how effective the province is at continuing to lower energy costs over the long-term.

Q. Zochodne: Is it no more than $28 billion? So this vehicle could take on $28 billion –

Lyash: It could, it could. And that's in the range of the values that we're anticipating.

Q. Zochodne: Could it go higher?

Lyash: I don't see it going higher. None of the scenarios we've looked at have.

Q. Zochodne: So it could go higher. (Inaudible) I'm saying what you just said, is having OPG take on $28 billion worth of debt just a way to keep it off the province's books?

Thibeault: No, again, I think Jeff explained to you why we've actually handed it to them. It's because they have the skill set, the knowledge, and the means of actually managing this type of special financing vehicle.

Q. Tumelty: The hydro file is a huge emotional issue with the 905, the 519, you know the –

Thibeault: 705, 519, 613?

Q. Tumelty: Yeah, huge emotional issue. You have the windmills that people are upset about. You have the sale of Hydro One which polls (inaudible) 5 per cent of Ontario is against. And I could go on with every little bit, and today you say, you know, we have a hydro act, a fair act, but you're not giving us numbers. But we have a leaked document saying hydro (inaudible) are still going to increase. Are you doing enough to calm the anger out there for Ontario voters who are – this is going to be a defining election issue?

Thibeault: So the numbers that we are giving people right now Is 25 per cent reduction on their electricity bills being held to the rate of inflation for the next four years. Within that time frame, we're going to continue to pull costs out of the system. Our 2017 Long-term Energy Plan will also be in place and we will know where we are forecasting at that point. Nowhere in no forecast in any document that I have seen as the Minister of Energy – and there has been many of those – has there ever been a document that said we are going to see a 10.5 per cent increase. And so, let's be very clear. That isn't an accurate number. What we do have today is a 25 per cent reduction on average that will be coming forward for families once we actually get this bill passed.

Q. Tumelty: So without releasing the accurate number of what do you believe the increase is going to be, in the absence or vacuum of the accurate number, you just can't say these are wrong but we can't tell you the right number, so (inaudible) run into a huge electoral problem.

Thibeault: So the thing is, the 2017 Long-term Energy Plan which is coming out in the very near future will have those numbers and it will show us, starting from a 25 per cent reduction here in 2017. As I said, there will not be a 10.5 per cent increase in our energy rates. We've got a plan in place through the Long-term Energy Plan which is going to show where costs will be. But as Jeff said, and I've said numerous times as the Minister of Energy, as a government, we will continue to find ways to take costs out of the system. We've done that already by implementing and asking our system operator, the ISO, to start looking at market reform and market renewal. The capacity auction, that will also take costs out of the system. We already have the OEB. The OEB is looking at making sure that they can work with the LDCs and reduce red tape. That will take costs out of the system. We have a history. We've shown a precedent that we have done this in the past, by in 2010, you know, the Long-term Energy Plan. We've removed costs from that system. We've removed costs at the 2013 (inaudible). All of that, I've mentioned before. We will continue to work to pull costs out of the system to ensure that any graph, any line will continue to plateau.

Q. Ferguson: In terms of the capacity auction, you said that the IESO is already working on it, so when are we going to see the first capacity auction. How much of a difference is it going to make, and I'm thinking of this in the context – no offence to Jeff – but there's the big refurb at Darlington going on, so does that whole Darlington piece, is that out of the capacity auction?

Thibeault: So the capacity auction and where it's going to move us over the next few years, it's changing the way that we operate our market, making sure that we're – and I've talked often about this – being neutral in our procurement, being agnostic. Because what we've done in the past when we were very specific in our technology, that didn't have competitive tension and it didn't allow for us to reduce costs. So the auction that we're talking about, the renewal that we're talking about, we're looking at that coming into effect around 2019 to 2020. Before the four years even, of our holding our rates to inflation expires, so we're also looking at ways that we can pull those costs out of the system to reduce even further and as quickly as we can.

Q. Ferguson: How big will that capacity auction be? Like how are you going to decide how much you go out and look for?

Thibeault: Again, that's hard for me to answer because the ISO is – sorry, go ahead. I'll let you finish.

Q. Ferguson: How do you say we're looking for this many megawatts or kilowatts or whatever capacity, and that's how you do it?

Thibeault: So a couple of components to that, Rob, is that the first one is our system operator will be the one that will be running that capacity auction and making sure that they work with all the generators and everyone else that is involved with that to have people being able to bid into the market so they can advance and understand, for example, natural gas, you know, with a day ahead that they would be able to look to, okay, well tomorrow, we're going to be on shift, let's say. We're going to need to general X amount of megawatts so they can buy their gas at a cheaper cost because they can plan ahead, staff accordingly, so that they can save costs which save money. But at the same time, the Long-term Energy Plan will actually guide us as your question is how many megawatts are we going to need? Well, we know that as we are continuing to ask for electrification of our system, that we're going to need more capacity. But that's what the Long-term Energy Plan will do in guidance with our system operator.

Q. Zochodne: One more quick (inaudible) can you give us an update on the Darlington refurbishment?

Lyash: Do you mind?

Thibeault: Go ahead.

Lyash: Kind of off topic, but we took Unit 2 out of service October 15th, which is the first unit to be removed from service for refurbishment. That refurbishment process is divided into four big segments over a 40 month period. We finished up segment one, the first 25 per cent of the refurbishment about 30 days ago very, very successfully. And as we stand right now, we're sitting slightly ahead of schedule and under budget. While you have issues in every significant project that you have to deal with and wrestle through, I'm very pleased with where we are right now, and we're on track to finish that first unit on schedule and on budget. If you – we post a monthly report on our website. Feel free to go there and have a look.

Thibeault: Thanks everyone.

<u>Questions for MPP Smith:</u>

Smith: Quick comments I guess, and then I can take any questions that you have. But after listening to the minister here this afternoon, I would say there's nothing fair about the Liberal government's "Fair Hydro" scheme. And the reason that I say that is because we've received a document that we've shared with the media. It's a confidential cabinet document that shows that the price of electricity is going to skyrocket after the next election. First of all, I guess what I should do is thank the whistleblower who provided that document to us. We've been talking with a lot of people who work in the ministry that are upset about the state of affairs when it comes to the Ministry of Energy and our electricity system in Ontario. That's an understatement. And a lot of them have shared their concerns with me, as the relatively new energy critic for the PC caucus and earlier Patrick Brown, as well. So, what I would say is a thank you to those who have the courage to step forward and provide us with this information that we can share with the people of Ontario, because the government isn't being honest with the people of Ontario when it comes to the price of electricity.

We are going to see electricity prices, electricity bills, skyrocket after the next election.

And, we're also going to see a return of the Debt Retirement charge. The minister can call it whatever he wants, but it's right there in the graph, that there is going to be a new charge on lines on bills, on the line. He calls it the "Clean Energy Adjustment," I believe were the words that he used. Clearly, what it is, is a return of the Debt Retirement charge and it's the Debt Retirement charge on steroids. The Debt Retirement charge was four or five dollars on the average residential bill. This one is going to reach twenty-one dollars by the year 2028. It's a concern for all the electricity customers. It should be a concern for all the electricity customers in the province. And I would say that it's interesting to me how the minister was able to stand here and in all of his answers to your questions, say that it's the Ontario Energy Board that's setting rates in Ontario. So, how did the OEB come up with a twenty-five percent rate? Or, did he direct them to do that? And I think it's a very appropriate question. We've seen this government interfere time and time again in the electricity sector. They can't keep their fingers out of the pie, and that's why we're in the mess that we're in here in Ontario. The government just continues to meddle in the electricity sector, in the energy sector and we're seeing it happen again. And it's going to result in, as I've said, soaring electricity prices.

So I thought I was going to be scrumming with you, I didn't have anything prepared but I'm ready to take your questions.

Q. Bliss: The minister says the numbers are wrong. Do you buy it? What do you make of it?

Well, this is a, it's a cabinet document that t was leaked to us. There are many, as I say, people working within the ministry, bureaucrats that have concerns about what the government is doing to our energy sector. And so, you know, it's a real document. The minister today in Question Period when asked about the price of electricity in 2024, said he didn't have a crystal ball, but it's right there in black and white in that document. What they were briefed on, as far as a cost goes for electricity in 2024. So, you know the average price of electricity? Certainly. Is it going to go down next year compared to this year? Yes, but we're going to see those rates soar to heights that we've never seen in Ontario as a result of the plan that the government has brought forward.

Q. Ferguson: Todd, just about the ongoing Global Adjustment charge, I mean I know that you're calling it like a new DRC on steroids and stuff like that, but isn't it just the cost? It's just the cost of the interest of doing this plan which you already don't like. So, do you see what I'm saying? It's the same thing-

Well, the Debt Retirement charge, which was on bills up until 2016, it was on there far longer than it should have been, especially on the residential portion of the bills, disappeared in 2017. It's not going to be on bills. But this is just another version of a Debt Retirement charge. Call it the, what do we call it, the CEB, or whatever it was. The CEA. The CEA. It's just more gobbledygook. But what it is, it's costing the people of Ontario a lot of money every month; by 2028, twenty- one dollars a month. That's a huge hit to people in, especially in rural and Northern Ontario. They can't afford to pay their electricity bills. And we're seeing energy poverty now. We're going to see more after the next election.

Q. Ferguson: I guess I'm trying to drill down into your objections, because like I said, that's part of the interest cost of this whole "cut the rates" plan. So, is your point that we shouldn't be paying long term to cut the rates, we should do structural? [Inaudible] can you make that point.

Yeah I can absolutely, yes. I mean, the government hasn't done anything to address the root cause of why electricity prices are where they are right now. They simply are borrowing to get them through the next election and not dealing with the underlying reason as to why our electricity prices are as high as they are. They're continuing to add new infrastructure onto the grid, generation that we don't need. They're continuing down that road. You know, they need to stop adding to the problem. And the government hasn't done that. They may say that they've saved a little bit of money on the Samsung deal. They could have saved several billion dollars more, had they done the right thing. So, you know the government isn't being sincere about dealing with the problem. They're trying to save Kathleen Wynne's bacon. You know, I wouldn't call it the "Clean Energy Adjustment" or the Debt Retirement" charge, I would call it the "Kathleen Wynne Retirement" charge, because that's what this is. This is the Kathleen Wynne retirement charge that's going to appear on bills for not just my generation, but our kids' generation.

Q. McGrath: The government says that they are structuring these financial instruments to try and find the hands of future governments. They don't want you or the NDP mucking with the legislative machinery of this. Do you think that is going to actually bind whoever is the next government? Or do you think whoever replaces the Liberals or, eventually is going to have to undo this?

I'd like to see the legislation. And clearly the government has rushed this legislation. I believe if you went back and watched the tapes of the initial announcement, about 70 days ago or so back in March, Jeff Lyash she was here, said that this was going to take about 120 days to put this debt entity together at OPG. I think they're rushing it. Clearly, this is a desperate government. This is a desperate issue for this government. And they're creating legislation, or they've created legislation, that we're all going to have a few days to look at. So this is a real concern. But I want to see the legislation, to know you know how big of an impact it's going to have on the on the future generations in Ontario.

Q. Brule: (in French) Mr. Smith, in French?

(in French) Yes, yes, I have the lines for you in French. Yes, yes.

Q. Brule: (in French) Go ahead.

(in French) It turns out that Kathleen Wynne's Fair Hydro Plan is not fair after all. As of next year, electricity rates will increase again; and by 2024, Ontarians will pay a record high. The documents also revealed that debt retirement charges are returning, an astonishing development that will increase electricity bills.

Q. Brule: (in French) You said that the government is not honest with Ontarians.

(in French) No. I think that the government is not – the truth with the numbers. The government is surprised that this document is in the media, and it's not a good day for the government.

<u>Questions for MPP Tabuns:</u>
(joined in progress) election plan, that's what this is all about. We're going to – we're going to take on a huge debt so Kathleen Wynne can look good on the hustings in the next few months, and for decades we're going to pay for it. It's a plan that doesn't deal with the fundamentals and it just means that the Liberals allow all the things that are driving higher prices to continue being there: privatization really at the centre of it; Hydro One privatization continuing on. (inaudible) we brought forward a hydro plan a few months ago – you can see it at the Ontario NDP website – looking at reducing prices up to 30 per cent, but more fundamentally dealing with the structural issues that we've got in this province, and the Liberals aren't interested in doing that.

Q. Bliss: You've been around here for a while. (Inaudible) leaked cabinet documents usually pretty close to the real deal?

Well I don't see any reason to think these aren't real cabinet documents. But beyond that Paul, we've been saying for a long time that if you borrow this money and you don't deal with the fundamentals, then the problem is going to erupt later, and that's exactly what that document shows. They're able to suppress the price for a while. They piled enough money on top of it that they can make it look good for a bit, but it's all going to burst out again. They haven't dealt with the fundamentals. There's just no getting around it.

Q. Jeffords: Peter, not that I'm asking you to disclose your sources, but what do you make of the Tories' claim that, you know, government workers were coming to them and are acting in this case as a whistle-blower who are concerned about the government's energy policy?

Well, I wouldn't be surprised if that in fact is accurate. If you talk to people who work in the energy sector, they're not happy with the direction that the Liberals have taken. They know that this privatization is undermining the integrity of the system. They know that it's going to mean higher prices later. The idea that someone would get so upset and leak a document seems reasonable to me.

Q. Jeffords: Is the NDP experiencing this?

We get verbal hints but I haven't seen documentation.

Q. Brule: (in French) In French, Mr.?

(in French) The Wynne plan is not a plan for the people of Ontario. It does not correct the fundamental problems with our electricity system. And in the future, we – oh my God – in the future, the prices will rise, and rise, and rise. Right now, the money for the (inaudible) is not enough to correct the fundamental problems.

Q. Brule: (in French) (inaudible) plan for the Liberals' re-election.

It's simply that. It's a plan for an election. It's a plan for Kathleen Wynne. It's not a plan for the people of Ontario.

Q. Brule: (in French) And it seems like it worked. In any event, up until now we stopped talking about electricity in the House anyway.

(in French) again please Claudine?

Q. Brule: (in French) We don't speak about electricity anymore since the plan.

(in French) Yes, that's the plan. Simply to have an election without a debate on electricity. I think that doesn't help the Liberal government because the prices will rise in the future – and rise, and rise, and rise.

Q. Ferguson: Given that the Liberals – Glenn Thibeault was here saying that they have been taking, trimming costs out of the system and over the years (inaudible) obviously not enough to please a lot of people but what, given that happening to some extent, what faith do you put in this plan for a capacity auction, the new way they want to do things? Just put it out for a bid, we want clean power and let everybody else figure out what it's – what it's actually going to be, how clean it is depending on the price.

I don't have any confidence in the Liberals to sort out these problems. They haven't shown any indication that they understand fundamentally where things went wrong, so I don't think they understand where they have to go to make them right.

Q. Ferguson: Do you think in theory though going to a capacity auction system is a better idea than mandating from the top this much must be nuclear, this much must be wind, this much must be solar, whatever, whatever?

Do you know? If we had a government (inaudible) had confidence in, I might be willing to listen to that. I looked at what happened in Europe on capacity auctions. It didn't actually give any big boost to dealing with affordability issues. I don't have confidence that this government will deal with it. I don't think people in Ontario have confidence in them at all anyway, not on this issue for sure.

Q. Zochodne: Is there a concern that OPG might have too much on its plate with the debt it's taking on and the projects it already has (inaudible)?

This is one of the strangest elements. We already have an office in the Ministry of Finance that deals with hydro debt. Everyone knows that it exists, who deals with the Ministry of Finance. The Ontario Electricity Finance Corporation, they dealt with and still deal with the stranded debt. They have every person in place, all the relationships with the markets in place. They can get Ministry of Energy people in place to expand on how the system works. I find this totally strange that this is being moved to OPG and not being kept within the Ministry of Finance. Doesn't make sense. They already have a body to do this.

Q. Unidentified: Given you said (inaudible) the message they want us to go out with today is that, 'don't worry, you're getting this 25-per-cent rebate.' Do you have any sense how long it'll take for that rebate to be wiped out and prices to come back to where they were before?

Well they say they're going to set the prices – sorry, they're going to set the prices (inaudible) level and have an increase with the rate of inflation for four years. I think things will start getting, unfortunately, really interesting in year five. That's when the underlying dynamics will reassert themselves. They have big problems and this is not going to solve them.

Q. McGrath: Peter (inaudible) your party's energy critic, you know this file backwards and forwards. Is eight sessional days in three weeks enough time to scrutinize this bill?

No, it's outrageous. I mean, you asked your question, 'is this bad for the opposition parties?' Well, sure it's bad for us, but in a much bigger sense, the people of Ontario are not going to be able to delve into this. There are a lot of people who are concerned about the energy file: manufacturers, the commercial sector, all kinds of people are going to want to look at this very closely and ask questions and be consulted. You don't do that in eight sessional days. No, this is just jamming it through at the end of the session. They want to get this issue out of the way so they can campaign on other issues. That's what's going on and nothing more.

Q. McGrath: And are you willing to stay later if the government wants to hold the summer break hostage?

Yes. (inaudible) this is too big. You're talking anywhere, $28 to $45 billion. This is a huge commitment on the part of Ontario. It will have an impact on us for generations. It is very expensive. I mean, we saw what Mike Harris did with the 407. That had an impact on us – still has an impact on us. This will have a huge impact on us. Just the Liberals are continuing this – this conservative privatization kick that's got us into deep trouble on this file, and I don't see any end to it. Not with them. You want to know what I really feel? [laughter] Thanks very much everyone.

N.B.: Comments captured are not verbatim quotes