I thank the Office of the Auditor General for its report on Ontario's Fair Hydro Plan. The government respects independent officers of the legislature, and values the important perspective they bring. However, the government does not agree with the assertions and conclusions of the report.

Ontario's Fair Hydro Plan is the largest rate reduction in the history of the province. The average residential ratepayer has seen a 25 per cent reduction in their electricity bill. That also includes as many as half a million small businesses and farms.

These reduced rates will be held to the rate of inflation for four years, ensuring affordability over the medium term. Our Long-Term Energy Plan, which will be released later this year, will outline how we will make electricity affordable over the long run.

This rate relief was absolutely necessary – the cost of electricity had become too much for many Ontario families.

When we designed the Fair Hydro Plan, our intention was to lower rates, while doing it in the fairest way possible. Rates had gone up because of investments we made in our electricity system – investments that were desperately needed. As a result, we now have a clean, reliable electricity system free from the brownouts and blackouts we were experiencing in the early 2000s.

The Fair Hydro Plan smooths the cost of those investments out over a longer period of time. This means that those benefitting from the investments we've made will be the ones paying for them. And that's fair.

The Fair Hydro Plan operates under a financial and accounting framework that is appropriate for its intended purpose. It is in accordance with Public Sector Accounting Standards and ensures the goals underlying the program are achieved in a cost-effective manner.

The accounting practices in the Fair Hydro Plan are well-established, and well-recognized within the industry. In fact, six of eight other independent system operators – AESO in Alberta, ISO in New England, NYISO in New York, MISO in Minnesota, PJM in the Midwest and Eastern Seabord, and ERCOT in Texas – use a rate regulated accounting structure. And it's a common practice for companies like Toronto Hydro, Hydro One, and Fortis.

The Fair Hydro Plan also keeps the cost of borrowing within the rate-base, not the tax-base, because that's the logical thing to do. Electricity financing should remain within the electricity system.

When Guelph Hydro borrows money to expand its distribution network, it stays within the rate base. When OPG borrows to build a new hydroelectric dam in Northern Ontario, that also stays within the rate base. And when Bruce Power extends the life of one of its nuclear reactors, it stays within the rate base. These costs are spread out over a longer period of time – 30, 50, or even 90 years – because it better reflects the life of the asset.

The policies and implementation process for the Fair Hydro Plan were designed and reviewed by senior staff from the Ministry of Energy, Ministry of Finance, Treasury Board Secretariat, Office of the Provincial Controller, Cabinet Office, the Ontario Financial Authority, the Independent Electricity System Operator, and Ontario Power Generation. Third-party experts from firms such as KPMG, E&Y, and Deloitte were also consulted by government and its agencies on the structure of the accounting. Through these consultations we considered a range of implementation options, and ensured due diligence was completed.

These are policy choices we made to ensure that we continue to have a clean, reliable affordable electricity system for the ratepayers of today, and the ratepayers of tomorrow. That’s exactly what the Fair Hydro Plan has done, and what it will continue to do into the future.