

Implementation Note: Electricity Bill Reductions

Commitment:

“Cut hydro rates by 12% for families, farmers and small businesses by:

- Returning Hydro One dividend payments to families
- Stopping the Liberal practice of burying the price tag for conservation programs in your hydro bills and instead pay for these programs out of general government revenue.
- Cancel energy contracts that are in the pre-construction phase and re-negotiate other energy contracts.
- Declare a moratorium on new energy contracts.”

“What this will cost:

- Hydro One Dividend - \$300-\$400 million per year.
- Moving Conservation Programs to Tax Base - \$433 million per year.”

Source: For the People: A Plan for Ontario, May 2018

Context:

- Electricity prices in Ontario have increased steadily and outpaced the overall rate of inflation. Electricity system costs are forecast to increase roughly in line with inflation over the 2017 Long-Term Energy Plan (2017 LTEP) forecast period.
 - Average monthly residential electricity bills are expected to increase to \$193 by 2035 from an average of \$123 in 2018, reflecting the impact of refinancing the Global Adjustment (GA).
- Ontario’s electricity system costs are recovered through a number of charges that cover the cost of generating electricity, transmitting electricity and maintaining a reliable system. These charges include:
 - Commodity (wholesale market price and Global Adjustment)
 - Delivery (transmission and distribution)
 - Regulatory
- The GA is a mechanism that accounts for the difference between the Hourly Ontario Energy Price (HOEP) and the regulated and contract prices that generators receive and the cost of conservation programs.

Implementation:

Initiative	Summary
Distribute the Hydro One dividend to families	• Legislative changes to the <i>Ontario Energy Board Act, 1998</i> and the <i>Electricity Act, 1998</i>. • Potential new legislation to implement the dividend payment. • Financial approvals would be required. • Ministry of Energy would work with LDCs to create an on-bill rebate or an Ontario Energy Board (OEB) processes to

	• reduce rates. • Ontario PC (OPC) Party release indicates that this would reduce bills by approximately 4.7% for an average household¹.
Shift the cost of conservation programs to the tax-base	• Legislative and regulatory changes may be required, such as amendments to the <i>Electricity Act, 1998</i> and <i>O. Reg. 429/04</i>. • Financial approvals would be required to shift the cost of conservation programs to the tax-base. • Determine any consequential implications (e.g., impacts of moving conservation programs on the forecast cost allocation under the <i>Fair Hydro Plan Act, 2017</i>). • OPC Party release indicates that this would reduce bills by approximately 2.9% for an average householdⁱ.
Cancel electricity contracts that are in the pre-construction phase and re-negotiate other electricity contracts	• Determine method for termination, whether a legislative option is pursued or Minister's direction to the Independent Electricity System Operator (IESO) and enter into negotiations with suppliers under certain circumstances. • Time required to execute these negotiations would be dictated by the complexity of the individual arrangement • Further legal analysis would be required: ○ For example, the Large Renewables Procurement 1 contract includes a provision whereby, at any time before the Commercial Operation Date, IESO can terminate the contract with 180 days' notice. Further legal analysis would be required to assess similar opportunities in contracts from earlier procurements. ○ There could be a legislative option to amend the <i>Electricity Act, 1998</i> to extinguish any risk of liability arising out of the termination of contracts. • OPC Party release indicates that this would reduce bills by approximately 2.7% for an average householdⁱ.
Moratorium on new electricity contracts	• Prepare a Minister's direction to IESO. • OPC Party release indicates that this would reduce bills by approximately 1.4% for an average householdⁱ. <i>Note: IESO is not currently entering into new contracts for electricity supply.</i>

Notes: Timing dependent on Cabinet decision-making schedule. Additional time may be required depending on OEB implementation processes.

¹ PC Press Release: <https://www.sudbury.com/local-news/ontario-pc-election-news-release-tories-say-the-ndp-are-going-to-increase-the-cost-of-your-electricity-939806>