Ontario

MINISTRY OF
ENERGY

Implementation of GA Smoothing – Discussion Document

March 28, 2017

First Five Years

- Near term bill reductions for Regulated Price Plan (RPP) eligible customers via refinancing of a portion of the GA, with the following elements:

  - Total bill reduction 2017 for typical Toronto Hydro customer with consumption of 750 kilowatt-hours (kWh) per month relative to forecast of 25 per cent, including the 8 per cent rebate that came into effect as of January 1, 2017, and funding of electricity support programs through provincial revenues. Do we need a second proxy consumer for calculation of reductions that would be applied to consumers on tiered pricing?

  - RPP customers will see the reduction on the May 1, 2017 RPP rate, RPP-eligible consumers are expected to see the reductions in the summer.

  - GA amounts in 2018, 2019, 2020, and 2021 will be set at levels to ensure the Toronto Hydro customer's bill will increase at the same rate as the Consumer Price Index (CPI). The first increase will be seen in November 1, 2017 RPP rates (i.e., at the subsequent RPP date to May 1, 2017).

  - Under this framework, RPP and RPP-eligible consumers will see increases every six months such that the typical Toronto Hydro customer's bill increases at the same rate as CPI year over year.

  - The responsibility and process for setting GA refinancing and eventual repayment amounts in 2021 onwards, needs to be established.

Year Five Onwards

- RPP and RPP-eligible bill increases will be determined by deferral amounts set by OPG/SPV such that GA refinancing amounts will be recovered over the 30 year period.
- To ensure electricity consumers are not burdened with overly significant GA costs and to provide certainty to OPG/SPV and markets the following constraints (to be set out in legislation) could be placed on the OPG/SPV borrowing:
  - Requirement that GA refinancing be completed within the committed to 30-year period;
  - Requirement that surpluses in collections are applied to repay GA borrowing;
  - Cap increases to ratepayer bills at no more than 10 per cent annually; and
  - Cap the amount to be recovered from ratepayers in any given year at 10 per cent of the average total bill (based on IESO's forecast at the time of the calculation).
- OPG will be responsible for setting the deferral amounts and monthly reporting of such amounts as necessary to the OEB/IESO/Province.
- OPG will also provide support as necessary to IESO / Province with regard to forecast financing capabilities, interest costs, etc.

Potential Role of Agencies

	First Five Years	Year Five Onwards
OEB	• Setting RPP Rates to achieve 25% reduction and thereafter increases at CPI for the Proxy consumer. • Publishing RPP-eligible GA modifier for Retailers/LDCs to apply to RPP-eligible bills. • Constraints per OEB Comfort letter (TBD)	• Will continue to set RPP Rates and RPP-eligible modifiers but will be set according to annual deferral amount as reported by OPG. • Monitoring and oversight of OPG deferral amounts (TBD).
IESO	• Forecasting GA/responsible for flow of money from SPV • Responsible for Variance Account	• Responsible for managing Variance Account • Forecasting GA
OPG/SPV	• Responsible for setting up entity etc. per legislation.	• Responsible for setting annual deferral amounts • Responsible for reporting amounts on a monthly basis to the IESO/OEB/Province • Constraints on borrowing as set out in legislation (30 year period, 10% of bill etc.)

Items to discuss

- Level of monitoring/oversight of OEB.
- Impact of HOEP increases / GA decreases on GA refinancing.
- Of the constraints proposed on OPG for the period year five onwards, which could be softened?
- Separate line item for GA refinancing on RPP-Eligible bills.
- Other