Chapter 1: Market Developments and Status of Recent Panel Recommendations

This chapter contains an update on recent developments related to the IESO-administered markets, and provides commentary on the IESO's responses to recommendations contained in the Panel's previous semi-annual Monitoring Report. In that May 2017 Monitoring Report, the Panel provided its general assessment of the state of the IESO-administered markets, including their efficiency and competitiveness; the Panel maintains the views expressed in that assessment.[1]

[redacted]

[redacted]

Ontario's Fair Hydro Plan

The *Fair Hydro Act, 2017*, which came into effect on June 1, 2017, puts in place the framework for giving effect to the government's Fair Hydro Plan initiatives that the government has stated will, among other things, lower electricity bills by 25% on average for all residential customers (many small businesses and farms will also benefit) and thereafter hold increases to the rate of inflation for four years.[4]

The 25% reduction includes the tax-funded 8% rebate that came into effect on January 1, 2017 as well as the impact of removing the cost of certainly electricity-related relief programs from electricity bills and instead funding those programs through taxes.

For residential and small business customers that buy their electricity from their utility, the initial bill reduction was implemented through new, lower Regulated Price Plan (RPP) prices set by the

[3] For more information on Market Renewal, including estimated timelines, consult the IESO's Market Renewal webpage, available at: http://ieso.ca/en/sector-participants/market-renewal/overview-of-market-renewal
[4] See the Government of Ontario's *Ontario Fair Hydro Plan* webpage, available at: https://www.ontario.ca/page/ontarios-fair-hydro-plan#section-0

Ontario Energy Board (OEB) effective July 1, 2017. Other eligible customers (including residential and small business customers that have a contract with an electricity retailer) are seeing their initial bill reduction in the form of a decrease in the Global Adjustment (GA) charges that they would otherwise pay each month. The OEB has set a credit – or "GA modifier" – for that purpose.[5] The new RPP prices and GA modifier will be in effect until April 30, 2018. At that time, the OEB will reset RPP prices and the GA modifier for the May 1, 2018 –April 30, 2019 period in a way that holds increases at the rate of inflation in accordance with the rules set out in legislation.

Except where funded through taxes, the Fair Hydro Plan bill relief is intended to be funded through a refinancing of a portion of the costs of the Global Adjustment.

The Financial Accountability Office of Ontario has estimated that the electricity cost refinancing will defer $18.4 billion in electricity costs, which ratepayers will be required to repay, together with approximately $21 billion in interest costs.[6]

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[5] See the OEB's June 22, 2017 report on *Regulated Price Plan Prices and the Global Adjustment Modifier for the Period July 1, 2017 to April 30, 2018*, available at: https://www.oeb.ca/sites/default/files/report-rpp-prices-ga-modifier-20170622.pdf

[6] See page 1 of the Financial Accountability Office of Ontario's Spring 17 report: *An Assessment of the Fiscal Impact of the Province's Fair Hydro Plan*, available at: http://fao-on.org/web/default/files/publications/Fair%20Hydro/Fair%20Hydro%20Plan.pdf

[7] Resources with peak demand exceeding 500 kW but less than 1 MW are eligible to participate in the ICI only if they are part of targeted manufacturing and industrial sectors; all resources over 1 MW may participate. For more information see the IESO's *Global Adjustment Class A Eligibility* webpage, available at: http://www.ieso.ca/en/sector-participants/settlements/global-adjustment-class-a-eligibility

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