
PREMIER WYNNE'S REMARKS AT ONTARIO FAIR HYDRO PLAN ANNOUNCEMENT

Date: March 2, 2017
Length: 16 minutes
Speaker(s): Premier Kathleen Wynne

PREMIER WYNNE: Good to see you all. So we are here today to talk about the high cost of electricity in Ontario, how it got to this point, how it must be fixed, and how exactly we're going to put that fix in place. For too long, governments, my own included, have made mistakes in the way we've structured Ontario's electricity system. That has resulted in rates that are unfairly high. It's time to fix those mistakes in ways that work for today and for the future.

Electricity is not a frill it's an essential part of our daily lives; I think we all know that. And everywhere I go, I hear from people worried about the price that they're asked to pay for hydro and the impact that it has on their household budgets. And it's not just some people. And it's not just some people in some places. It's everyone and it's in every corner of the province. It's in the north and in the south, it's in rural Ontario and in downtown Toronto.

For the past couple of months, I've made a point of connecting with people who have written to me about this issue. I've called them up or I've seen them on a visit. I've sat and I've talked and I've listened to what they had to say and here's what I've heard. Families have said to me that they don't understand why rates have gone up so much. They also don't understand why rates have gone up so quickly. People have told me that they're confused by bills that charge more for delivery than for the power that's actually been used. And for some families it's gotten to the point where they must choose between keeping the lights on and keeping food in the fridge. That is unacceptable. It's unacceptable to me. People want to know three things. First, they want to know that relief, and by that they mean substantial relief, is on its way. Secondly, they want to know that that relief is going to go to everyone. And third, that the relief will be lasting because it's built on a real change. In other words, that bills won't jump back up in a couple of months or even in a couple of years. So we're going to deliver on all three counts. And that starts by bringing down what people pay on their bills. Last September, I committed to reducing electricity bills by 8 per cent across the board, equivalent to the provincial portion of the HST. But it hasn't been enough. It's made too small a dent in people's bills. And for that reason we're taking more action.

We are tripling the size of the cut we're making to people's hydro bills from 8 per cent to an average of 25 per cent. Electricity rates in Ontario will come down significantly. They're going to stay down and everyone will benefit. And let me emphasize that last point. The cut will go to all households that pay for electricity. There will be no asterisks, no loopholes and no exceptions. Our plan will lower electricity bills by 25 per cent on average for all residential consumers in the province.

And for those living in rural communities or people who are living on low-incomes, the break will be even greater.

[Speaking French]

[Speaking English] In addition, this rate relief is designed to last. So after we bring down the bills by 25 per cent, we'll hold them there with rates rising only with inflation or roughly 2 per cent for at least four years. This is the largest cut to electricity rates in the history of Ontario. In dollars and cents, the exact benefit will vary by household. But if, for example, your monthly bill adds up to \$135, this cut will drop it down to about \$101.

So now that I've described what we're doing today, let me turn to how we're doing this. I'll have to begin with a bit of context about the way our electricity system has evolved over the years because the way we bring rates down is not by waving a magic wand. It's by fixing a system that has been structured unwisely and, in some ways, it's been structured unfairly. For decades, Ontario enjoyed one of the largest, most impressive and up-to-date electricity systems in North America, if not the world. Power generation was supported through a combination of hydro, coal and nuclear. Power lines crisscrossed the province and the lights came on because we had a sophisticated, well run distribution system. But over time, there were two problems. First, governments of all stripes let the maintenance and support of that system slide. No politician or premier wants to defend rising rates and for decades the easiest way to avoid the pinch was just to invest as little as possible. But that came at a price. Eventually, systems became outdated, the grid was less reliable and, just like an old house that wasn't kept up, it began to show. We all remember the blackouts in 2003 when it became obvious that our system was long overdue for some significant and expensive upgrades. So let me just pause on that and say that we all bear responsibility for that: Liberal, Conservative, NDP governments. For the better part of 50 years, we didn't pay our way. Until about a decade ago when all of that came to a head. The system needed major rebuilding and that meant a major price tag. Now a lot of that money came in the form of rates, higher bills. So for the past few years, customers have been paying not only for the power that they consume, but for past neglect, for the price of major new refurbishments, and for the cost of renovating a system that went without proper repairs for far too long.

So the good news is that we've created an electricity grid that is second to none. In the past few years, we've invested more than \$50 billion in electricity infrastructure: new dams in the south, new towers in the north, \$13 billion to refurbish nuclear power plants alone, and billions more to ensure new transmission and distribution lines everywhere. These are enormously important assets that meet the need for cleaner and reliable power everywhere in the province. These are assets that belong to all of the people of Ontario and they'll serve us for many decades to come. But the way we financed those investments was a mistake. We asked one generation, today's generation, to unfairly shoulder the burden of nearly all of those costs. We had to play catch up and we asked today's ratepayers to cover nearly the whole tab. Think of it in terms of a mortgage. We needed to rebuild the system and so we went to the bank for that money. But the terms that were set weren't fair, particularly the amortization. Instead of paying off the mortgage in 30 years we agreed to a term of 20. That means that we pay things down faster, but the monthly mortgage payments, or in this case your hydro bills, are higher. And it doesn't really make sense since that house, or in this case the electricity system, is an asset that will continue to benefit people for long past that contract term. In effect, this generation has been subsidizing not just those who came before, but those who will come next. And that's not right. And it has been notably unfair on today's hydro users. So we're fixing that. We're refinancing the mortgage and we're setting a new term that stretches over a longer period. Over time, it will cost a bit more; that's true. And it will take longer to pay off; that's also true. But it is fairer because it doesn't ask this generation of hydro customers alone to pay the freight for everyone who came

before and everyone who is going to come after. The burden will now be shared more evenly and more appropriately. So that's the first and the most important fix we're putting in place.

Now there's a second reason that hydro bills have gone up and I want to also acknowledge that. For years, we've fueled part of our electricity grid with dirty coal. It was a relatively cheap way to generate power, but it was costly in terms of environmental and health effects. Smog days, exhaust, particulates, emissions, climate change, these were all dangers of using dirty coal. The previous government under my predecessor changed that. We no longer burn coal to generate electricity in Ontario. And we've since gone farther. We've adopted a range of programs to encourage the development of clean energy here at home, and so...here at home with solar and wind generation, and we've championed conservation. I believe strongly in those policies; they're extremely important. And a growing clean energy sector creates jobs for everyone. Fewer smog days improve the health of us all. And I believe that they will generate benefits far into the future, both environmentally and economically. But they come at a cost and we clearly did not always get the implementation right. For example, the incentives we first put in place to encourage green energy production were too generous and we've had to bring those down. Now it's not just about clean energy policies. We've also had programs in place to give targeted help to certain communities and groups, like the Ontario Electricity Support Program or OESP, which helps to reduce hydro costs for those with lower incomes. There are also people living in rural and remote parts of Ontario who have been paying much higher distribution costs, if you compare them with people who live in urban areas. And we're going to be providing more relief on those delivery charges, supporting some 800,000 families. I think we can all agree that we have to help people who need that extra support. But ratepayers have been carrying the cost of those programs, not taxpayers, and that simply is not fair. As I've said electricity is a necessity. So it only makes sense that we share the cost of making sure that no one has to make those difficult decisions between heating their home and feeding their family.

Of course, the consequence of these big changes, refinancing our electricity system's mortgage and shifting programs off the hydro bill do not come free. Although the refinancing occurs within the electricity system and is accounted for separately, the overall fiscal impact of this relief and restructuring will cost the province about 2.5 billion dollars over the next three years. Now thanks to a provincial economy that's leading all of Canada in growth, we can make this change and stay on track for a balanced budget next year and the years to follow. But it's going to be a lot harder and will remain a lot closer to the line. But let me just say this: it is worth it. It's worth it for a true structural fix that will be long lasting. Not just another short-term stopgap, but something that is sound and sustainable. And that's exactly what we've done. The people and families that I've spoken with in recent months have made it clear this must be our top priority. The burden of high hydro rates has become too great and we have to bring them down. And, frankly, if we're going to bring our budget into balance what better place to direct better newfound financial strength than giving households a break in the high price that they pay for electricity. It is absolutely worth it.

In that respect - I'm sure that this question will come from from many people - let me address the elephant in the room. Why did it take me so long to come to grips with this and why am I only acting now? And those are fair questions. It has taken a long time. But it's not as if I've been unaware of the challenge. I've seen the rising rates; my family gets bills like anyone else. And we did take action with targeted relief, the 8 per cent cut, the Hydro Quebec deals. Those were very worthwhile initiatives. But ultimately they were too narrow in scope, too limited when the kind of fix that was actually needed was much more fundamental. So beginning last year I started to ask tougher questions about how we got to this point. And I started to ask what could be done about it that was more fundamental. What what could we do to actually change some

of the structural drivers of these cost increases? For decades, bad choices have been made. Those governments, including ours, who for decades pushed off the price of reinvesting in the system, that was a mistake. Putting too much of the burden on a single generation of ratepayers, that was a mistake. And asking hydro users alone to pay for policies that ought to be paid for by all taxpayers, that was a mistake too. The policy was wrong and that made the pocketbook pressures impossible. As Premier, I have an obligation to get the policy right, to put in place a fix that will work, and to put in place a fix that will last. Bringing down rates by 25 per cent and fixing the system structure, that's the approach that I believe in. I think it's better for Ontario and I know it's better for families. Thank you very much. Merci.