

Ministry of Energy,
Northern Development
and Mines

77 Grenville Street
7th Floor
Toronto ON M7A 2C1

Tel: (416) 574-4930

Ministère de l'Énergie,
du Développement du Nord
et des Mines

77, rue Grenville
7^e étage
Toronto ON M7A 2C1

Tél: (416) 574-4930



DATE: December 21, 2020

MEMORANDUM TO: Local Distribution Companies

Teresa Sarkesian, President and Chief Executive Officer,
Electricity Distributors Association

FROM: Steen Hume
Assistant Deputy Minister
Energy Supply Policy Division

RE: **Changes to industrial and commercial electricity costs
effective January 1, 2021**

Earlier this year, Ontario deferred a portion of Global Adjustment (GA) between April and June 2020 by limiting the Class B GA rate to \$115/MWh for non-Regulated Price Plan (RPP) customers and providing proportionate reductions for Class A customers. The deferred costs were intended to be recovered over a 12-month period beginning in January 2021.

Ontario has now made amendments to O. Reg. 429/04, effective January 1, 2021, to enable the recovery of those deferred GA costs. Starting in January 2021, Class A and non-RPP Class B customers will repay the deferral costs over 12 months. RPP consumers are not affected by these changes. These regulatory amendments can be found at www.ontario.ca/laws/regulation/r20772.

At the same time, Ontario has made regulatory amendments such that starting January 1, 2021, a portion of non-hydro renewable energy contract costs will be paid by the government instead of electricity customers. This will lower electricity bills for commercial and industrial customers and more than offset the impact of recovering the deferred GA. This funding is also intended to continue well beyond 2021.

Please find below sample Questions and Answers to help ensure industrial and commercial electricity customers across the province receive consistent information.

Original signed by

Steen Hume
Assistant Deputy Minister
Energy Supply Policy Division

c: Terry Young, Interim President and CEO, Independent Electricity System Operator (IESO)
Barbara Anderson, Chief Financial Officer and Vice President, Corporate Services, IESO
Andrew Dow, Supervisor, Media Relations and Issues Management, IESO
Susanna Zagar, Chief Executive Officer, Ontario Energy Board (OEB)
Karen Evans, Director of Corporate Communications, OEB

.../cont'd

Questions and Answers

Q1. What is the Government of Ontario doing and why?

Ontario deferred a portion of Global Adjustment (GA) between April and June 2020 by limiting the Class B GA rate to \$115/MWh for non-Regulated Price Plan (RPP) customers and providing proportionate reductions for Class A customers. The deferred costs were intended to be recovered over a 12-month period beginning in January 2021.

The Ontario government has now made regulatory amendments to O. Reg. 429/04 that enable the recovery of those deferred GA costs. The costs are being recovered starting January 1, 2021 from Class A and non-RPP Class B consumers. There is no effect on RPP consumers. These regulatory amendments can be found at www.ontario.ca/laws/regulation/r20772.

Class A and non-RPP Class B customers will repay the deferral costs over 12 months, starting in January 2021.

At the same time, Ontario is reducing the cost of electricity for industrial and commercial customers by shifting a portion of non-hydro renewable energy contract costs to the tax base. These reductions are considerably larger than the deferral repayment costs, and the intent is for this funding to continue after the deferral recovery is complete.

Q2. How will this affect electricity costs?

The recovery of the deferred Global Adjustment (GA) costs will put upward pressure on costs for Class A and non-RPP Class B customers in 2021. However, this will be more than offset by the government's initiative to shift a portion of non-hydro renewable energy contract costs to the tax base. Those reductions are considerably larger than the deferral repayment costs, and the intent is for this funding to continue after the deferral recovery is complete. The result will be a significant net benefit to these customers.

As a result of these two initiatives, in 2021, Class A and non-RPP Class B customers could see savings of about 11 per cent and 12 per cent, respectively. After 2021, savings are expected to increase as the recovery of deferred GA costs would be complete and the funding of a portion of non-hydro renewable energy contract costs is expected to continue. Actual savings will depend on location and consumption.

Q3. Will households, small businesses or farms be affected? Will residential customers see their bills go up because of this?

No. Regulated Price Plan (RPP) customers, including residential, small business and farm customers, will not be affected by the recovery of deferred GA costs.