

**Ministry of Energy,
Northern Development
and Mines**

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March 21, 2019

Ms Rosemarie Leclair
Chair and Chief Executive Officer
Ontario Energy Board
2700–2300 Yonge Street
PO Box 2319
Toronto ON M4P 1E4

Dear Ms Leclair:

A handwritten signature in black ink that reads "Rosemarie".

I am writing to you today to inform you that today I have introduced proposed legislative changes that will affect the mandate and operations of the Ontario Energy Board (OEB).

Delivering Efficient Electricity Conservation

Our government is taking action to reduce spending and streamline electricity conservation programs in Ontario.

To that end, I have directed the Independent Electricity System Operator (IESO) to discontinue the 2015-2020 Conservation First Framework and establish a scaled down Interim Framework for the balance of 2019 and 2020, delivered centrally by IESO with continued funding from electricity rates.

As you are aware, I have also directed the OEB and provided it with the authority to amend or revoke conservation related licence conditions for electricity distributors.

These actions will help refocus current conservation and demand management efforts on the most cost-effective programs and delivery models that drive energy efficiency and meet system needs. Transitioning to the Interim Framework is expected to reduce spending by up to \$442 million and is part of the government's overall plan to take costs out of the electricity system.

In addition to these actions, amendments are being proposed to the *Electricity Act, 1998* that would enable IESO to accept government revenues to fund conservation programs and other procurement contracts, should the government decide to do so in the future. The amendments would provide the flexibility to take further costs out of the rate base.

Ontario Energy Board Modernization

Our government recognizes the crucial role the OEB plays in Ontario's energy sector. The proposed legislative amendments would, if passed, make changes to the OEB's governance structure, providing it with governance that aligns more closely with acknowledged best practice and putting it on the path to becoming the best energy regulator in Canada.

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We are proposing to improve and modernize the governance structure and independence of the OEB by separating its management, administration and adjudication responsibilities. To understand the rationale for why these changes will lead to improvements in the OEB's performance, I encourage you to review the Final Report of the Ontario Energy Board Modernization Review Panel, which you can find at <https://files.ontario.ca/endm-oeb-report-en-2018-10-31.pdf>.

The Panel identified five qualities of regulatory excellence that the OEB should seek to embody in its work – independence, accountability, certainty, effectiveness and efficiency. With the OEB Modernization Plan, our government will follow the recommendations of the Panel so that these qualities can be more clearly realized.

If the proposed legislative amendments pass, there will be significant organizational changes at the OEB. Organizational change can cause uncertainty. I want to stress that the intent of OEB Modernization is to give the OEB the opportunity to deliver better outcomes for Ontario families and businesses – to help the OEB do its work as effectively as it can. To that end, the implementation of the OEB Modernization Plan will be a partnership between my Ministry and the OEB.

It is critically important that the OEB continue to administer the day-to-day regulation of the energy sector while the proposed amendments go through the legislative process. The adjudication of applications and the enforcement of consumer protection rules must continue without interruption. During this transition, I am counting on the professionalism and commitment of OEB staff to continue to deliver the OEB's required activities.

I have asked my Deputy Minister to follow up with the OEB's Chief Operating Officer with additional information on my expectations for this transitional period. I want to reiterate my trust and faith in the staff of the OEB to see the organization through this time of change. I am confident that the OEB Modernization Plan will help us deliver that goal to Ontario families and businesses.

Global Adjustment Refinancing Replacement

Since July 1, 2017, the *Ontario Fair Hydro Plan Act, 2017* (OFHP Act) has provided an electricity bill reduction to eligible electricity customers through lowered prices under the Regulated Price Plan (RPP) and through the Global Adjustment (GA) Modifier for eligible customers who do not participate in the RPP.

In July 2018, our government launched the Independent Financial Commission of Inquiry to review Ontario's past spending and accounting practices. In August 2018, the Commission recommended that government adopt the Auditor General's proposed accounting treatment for Global Adjustment (GA) Refinancing under the OFHP Act. Our government accepted the Commission's recommendation and committed to replace the current GA Refinancing structure with one that is more transparent.

To replace the current GA Refinancing structure, our government intends to introduce legislation and to bring forward regulations which would, if approved, hold average residential bill increases to the rate of inflation effective May 1, 2019 as an interim measure, before transitioning to a new on-bill rebate effective November 1, 2019. If passed, the new on-bill rebate would combine replacement for electricity bill reductions provided through GA Refinancing and the current 8 per cent Ontario Rebate for Electricity Consumers into a single transparent on-bill rebate. Moving forward, the government intends to make regulatory amendments to adjust the rebate percentage at the same time as the OEB sets RPP prices in order to moderate future bill increases.

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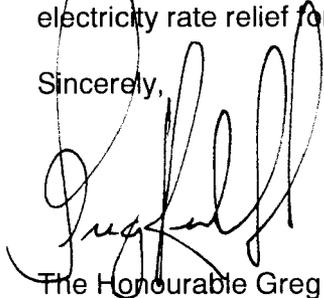
Under the proposed approach, the OEB would be required to set RPP prices effective May 1, 2019 through October 31, 2019, such that the average residential bill increases at the rate of inflation, and would be required to determine the corresponding GA Modifier for that period. The same eligibility criteria used under the OFHP Act would continue to be applicable under the interim mechanism. The government would continue to fund the resulting shortfall in costs recovered from ratepayers until November 2019. In addition, the requirement to include a statement on invoices specifying OFHP savings would be removed effective on the date of filing. The government hopes to see the statement removed from all invoices by July 1, 2019.

Effective November 1, 2019, when the new on-bill rebate would be introduced to replace the RPP rate reduction, the OEB would return to setting RPP prices based on forecast supply costs and would no longer be required to determine a GA Modifier. The Ministry would work closely with the OEB to ensure that the value of the new on-bill rebate is adjusted to ensure intended increases are achieved in each rate setting period.

Electricity distributors, retailers and unit sub-meter providers would be required to ensure all eligible customers were provided with the new on-bill rebate effective November 1, 2019. I would ask the OEB to communicate the government's proposed approach to unit sub-meter providers in a timely fashion.

Our government remains dedicated to restoring the public's trust in the energy sector by increasing accountability, transparency and better managing costs. I look forward to working with the OEB as we work toward implementing our proposed improved approach to providing electricity rate relief for Ontarians.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Rickford", written over a circular stamp or seal.

The Honourable Greg Rickford
Minister of Energy, Northern Development and Mines