When we subtract total minus residual error variance ($var(Y) - MSE$), we can call the result "explained error". It represents the amount of variability in y that is explained away by regressing on x. Then we can compute R^2 as:

$$R^2 = \frac{explainedvariance}{totalvariance} = \frac{var(Y) - MSE}{var(Y)} \tag{1}$$

When $R^2 \to 0$ denotes how less information x holds on y, while $R^2 \to 1$ denotes perfect prediction.