2017-18 Fiscal Management Plan

Overall Fiscal Position

The Ministry of Energy is a policy development and implementation ministry that delivers the government's top energy priority – providing Ontarians with a clean, safe, reliable and affordable supply of energy through the implementation of the Long-Term Energy Plan.

Ministry Overall Fiscal Position

Rate mitigation initiatives and consolidation of fiscally neutral agencies are the largest non-discretionary components of the Ministry's allocation.

Ontario's Fair Hydro Plan programs and the Northern Ontario Energy Credit currently account for $1,464.0 million, or 71%, of the Ministry's 2017-18 allocation. These programs represent the largest fiscal risk exposure to the Ministry as they are tied to legislation that entitles recipients to funding and actual fiscal costs depend on external factors (e.g. electricity prices, consumption, and general economic and demographic conditions in northern Ontario). The Ministry will work closely with the Ministry of Finance to monitor and update forecasts and will report additional funding needs or savings to TB/MBC.

The consolidation of fiscally neutral agencies – the Ontario Energy Board and the Independent Electricity System Operator – accounts for $264.1 million or 13% of the Ministry's 2017-18 allocation. Realizing operating savings on these entities would have no impact on the government's fiscal plan since their expenses are fully recovered from the rate base.

The remainder of the Ministry's 2017-18 allocation, $321.8 million or 16%, is for the Ministry's own spending to deliver on its mandate and commitments. This amount includes an allocation of $280 million under executive control to support the continued broadening of Hydro One and an allocation of $2.15 million for the Electric Vehicle Overnight Charging Rebate Program which is fully recovered from the Greenhouse Gas Reduction Account (GGRA).

Managing within Allocation with Key High Likelihood Pressures

The Ministry is making best efforts to manage spending within its 2017-18 allocation, while managing new internal pressures as indicated below. The Ministry will continue to monitor these pressures and find internal savings by delaying other projects. If needed, the Ministry may seek TB approval for funding increase with offset from within to address these pressures.

Key High Likelihood Pressures:

Fair Hydro Plan third-party legal services: $2.5 million

The Ministry is working to implement an electricity price mitigation strategy to lower the cost of electricity for Ontario consumers. The price mitigation plan is comprised of several initiatives that will either lower the price components of consumers' electricity bills, or remove components from electricity bills altogether.

To date, significant legal costs have been incurred to support the development of the legislative framework, drafting appropriate sale/purchase agreements, arranging financing between Special Purpose Vehicle/Trust and private sector lenders.

Cap and Trade Implementation Costs: $1.67 million

In 2016, Ontario's five-year Climate Change Action Plan committed to requiring Energy and Water Reporting and Benchmarking (EWRB) for large buildings. EWRB is the review of a building's energy and water use and comparison of the usage with similar buildings. The Ministry requires resources to ensure the proper adoption of EWRB such as securing a client relationship management system and establishing a call centre. The Ministry did not receive resources for this project from GGRA funding.

Early Decant of Energy Staff from MacDonald Block: $1.25 million

The Ministry may require an early decant of staff from MacDonald Block to support the Queen's Park Reconstruction Project. Based on historical accommodation moves, the Ministry is projecting accommodation costs at approximately $1.25 million.

Ontario's participation at the Energy East hearings, $0.85 million

The Ministry is representing Ontario at the National Energy Board (NEB) hearing on TransCanada's Energy East projects. The Province is required to be present at the hearings in order to defend the government's position on Energy East pipelines.

To best represent Ontario's position, the Ministry procured four expert consultants to provide advice throughout the NEB hearings. It is anticipated the NEB's hearings will commence in summer/fall 2017.

Resources support for the Ontario Rebate for Electricity Consumers: $0.61 million

The Ministry introduced the Ontario Rebate for Electricity Consumers effective January 1, 2017. Successful implementation of this program requires dedicated resources to cover a variety of responsibilities critical to its delivery including policy and program development, financial support and communications and marketing support. The Ministry requested four new permanent FTEs during the 2017-18 PRRT process which were not approved. As such, the Ministry is managing these resources from within.

Long-Term Energy Plan (LTEP) 2017: $0.42 million

The Ministry is mandated to update its Long-Term Energy Plan. Costs are being incurred for engagement sessions and the release of the physical document. Major costs will be incurred prior to its release with minor implementation costs following.

NAFTA Arbitration: Tennant Energy LLC v. Canada: $0.35 million

Tennant Energy LLC has filed a Notice of Arbitration under Chapter 11 of the North American Free Trade Agreement (NAFTA) which commences an Investor-State Arbitration against Canada. Tennant claims that Canada, through measures and actions taken by the Government of Ontario in relation to the Feed-in tariff program and the Green Energy Investment Agreement violate Article 1105 of NAFTA. It is extremely likely that an Arbitral Tribunal will be established by early September. The Ministry is expected to share the costs of the arbitration with the federal government.

Internal Holdback on 5% of Discretionary Spending

The Ministry does not have discretionary control on a majority of its allocation.

- A significant portion of the Ministry's non-discretionary expenses are entitlement-based Transfer Payment programs for the Ontario Fair Hydro Plan. A 5% reduction cannot be applied on these programs as they are demand-driven. The Ministry will monitor expense forecast closely and provide updates to TBS on a timely basis.

- During the 2017-18 PRRT process, the Ministry received an increase in transfer payment allocation to support First Nations participation in the sale of Hydro One. These expenses are required to meet contractual commitments with the First Nations and thus, cannot be reduced.

- The Ministry consolidates the fiscally neutral agencies – the Ontario Energy Board and the Independent Electricity System Operator – onto its allocation. These expenses have been removed and are not discretionary because they are not funded by the fiscal plan.

- The allocation to support Energy's GGRA initiative, the Electric Vehicle Overnight Charging Rebate Program, is currently on holdback pending a report back to TB/MBC.

The Ministry only has discretionary control over a small portion of its total budget, $139.5 million (see breakdown in chart below). A 5% internal holdback on this budget is $6.98 million.

The Ministry plans to manage this holdback through internal savings in Vote 2906, Strategic Asset Management.

Ministry of Energy

$M	Vote 2901 - Ministry Administration	Full Allocation	Eligible for 5% Holdback
	Vote 2901 - Ministry Administration	15.08	15.08
	Statutory Appropriations	0.06	0.00
	Total Vote 2901 - Ministry Administration Allocation	**15.14**	**15.08**

$M	Vote 2902 - Energy Development and Management		
	Vote 2902 - Energy Development and Management	24.46	24.46
	Statutory Appropriations	0.00	0.00
	Total Vote 2902 - Energy Development and Management	**24.46**	**24.46**

$M	Vote 2905 - Electricity Price Mitigation		
	Northern Ontario Energy Credit	26.00	Program expenditure are entitlement-based and not discretionary.
	Ontario Rebate for Electricity Consumers	939.00	
	Rural or Remote Rate Protection Program	344.00	
	Ontario Electricity Support Program	140.00	
	On-Reserve First Nations Delivery Credit	15.00	
	Total Vote 2905 - Electricity Price Mitigation	**1,464.00**	**-**

$M	Vote 2906 - Strategic Asset Management		
	Vote 2906 - Strategic Asset Management	100.00	100.00
	Cash Contribution to First Nations	45.00	Contractual agreements for participation in Hydro One sale.
	Conferred Benefit to First Nations	135.00	
	Total Vote 2906 - Strategic Asset Management	**280.00**	**100.00**

Consolidation Adjustments and Other Adjustments		
Consolidation Adjustment - Independent Electricity System Operator	218.36	Expenses are not funded from the fiscal plan.
Consolidation Adjustment - Ontario Energy Board	45.74	
Other Adjustments - GGRA EV Overnight Charging Rebate Program	2.15	
Total Consolidation Adjustments and Other Adjustments	**266.25**	
Ministry Total Expense (including consolidation)	**2,049.85**	**139.54**

5% Internal Holdback of Discretionary Spending	**6.98**