Section X: Section Title

File	Ch1_Restoring Balance_v3_0303
Chapter, Title	Chapter 1: Restoring Balance Section [X]: Ontario's Balanced Budget
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Ontario's Economic Outlook and Fiscal Strength

Introduction

A strong economy, together with a balanced budget, will help position Ontario for long-term fiscal sustainability. At the same time, it will allow the government to continue to make strategic investments in public services to support Ontarians and communities, building on the significant achievement already made, such as reducing electricity bills by 25 per cent on average for all residential customers, enhancing health care and strengthening Ontario's world class education system. The benefits of this growth, however, have not been evenly experienced across the Province. The government is committed to working towards inclusive growth and to ensuring that all Ontarians share in the prosperity that the Province is building.

Ontario's Balanced Budget

…

The government's efforts to grow the economy, transform public services, and responsibly manage spending over the past several years has also positioned the Province to build on investments made since 2010 to support health care, public education, modern infrastructure and lower business costs. Past investments have protected and enhanced the programs and services that Ontarians value, allowing the government to make new investments, where Ontarians will feel it most, such as cutting the cost of electricity by 25 per cent and creating 100,000 licensed child care spaces by 2022.

Section X: Section Title

File	Ch2_HelpingFamilies_v3_0303
Chapter, Title	Chapter 2: Helping You and Your Family Section [X]: Reducing the Cost of Living
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Helping with Everyday Costs

Delivering the Single-largest Reduction to Electricity Rates in Ontario's History

Since 2003, this government has supported investments of more than $50 billion in electricity generation and grid infrastructure across the province to ensure that Ontarians can benefit from a cleaner, more modern and more reliable system. Ontario also became the first jurisdiction in North America to end the use of coal-fired electricity generation, choosing instead to produce clean and renewable power.

The much-needed restructuring of an aging and unreliable electricity system that depended on expensive imports and dirty coal resulted in rapidly rising rates for many customers, and a financial burden that has fallen disproportionately and unfairly on the shoulders of today's electricity ratepayers. The cost of the significant investments in generation is funded in part through the Global Adjustment (GA), which is part of the commodity cost on electricity bills.

Through consultations across the province, the government heard loud and clear that relief from high electricity bills is a priority concern for all Ontarians and that this relief must be long lasting and built on real change to the electricity system. That is why the government continues to take action to relieve the burden and share costs more fairly.

As announced last September, and effective January 1, 2017, electricity bills for residential, farm and small businesses are being credited for an amount equal to the eight per cent provincial portion of the Harmonised Sales Tax (HST). The Province has also put policies in place to provide targeted support to eligible rural and low-income customers.

In March, the government announced Ontario's proposed Fair Hydro Plan, which includes the following components:

- Reducing electricity bills by 25 per cent on average for eligible residential, farm and small business customers.
- Creating new and expanding existing targeted support programs to provide further relief for eligible rural, remote, low-income, and on-reserve First Nations households.
- Expanding the Industrial Conservation Initiative program to benefit additional small manufacturing and industrial consumers.
- Improving sector efficiency and modernizing the province's electricity market.

As part of this plan, rate increases over the next four years would be held to the rate of inflation. Taken together, these changes would deliver the largest reduction to electricity rates in Ontario's history.

Reducing Electricity Rates by 25 Per Cent

Building on the steps announced last September, including an eight per cent rebate on electricity bills equal to the provincial portion of the Harmonized Sales Tax, the proposed Ontario's Fair Hydro Plan will reduce electricity rates by 25 per cent on average for eligible residential, small and medium businesses and farms.

As part of the plan, the government will refinance part of the cost of the Global Adjustment portion of electricity bills. While the majority of the province's electricity generators have 20-year contracts, many will be capable to operate past their contract term. Recovering the costs from these investments over a longer period of time would reflect a fairer and more equitably distributed sharing of both the costs and benefits of these assets among current and future ratepayers. Under current forecasts, the immediate reduction in the GA charge would be about $2.5 billion per year on average over the first 10 years.

The Province will also reduce regulatory charges for all Ontario electricity customers by funding some important electricity support programs by the government instead of by ratepayers.

Support for Ontario's Fair Hydro Plan

The Federation of Northern Ontario Municipalities stated that it “would like to commend the Minister of Energy, Glenn Thibeault and the provincial government for announcing today that they will lower electricity bills by 25 percent on average this summer for all residential customers.” “We are pleased that electricity ratepayers will see the positive benefits of this announcement in the near future and for the commitment that rates will not increase beyond the rate of inflation for the next four years.” – Alan Spacek, President of the Federation of Northern Ontario Municipalities (FONOM) and Mayor of Kapuskasing, March 2, 2017.

“The elimination of the delivery charge will assist our citizens by reducing energy poverty in our communities. It also represents recognition for the use of the land in the development and expansions of the provincial energy grid… Today’s commitment by the Ontario government is commendable and allows a path forward for greater quality of life for First Nations in Ontario.” – Isadore Day, Ontario Regional Chief, March 2, 2017.

Providing Targeted and Expanded Relief for Rural, Remote, Low-Income and First Nations Customers

Providing a First Nations On-Reserve Delivery Credit

Consistent with recommendations of the Ontario Energy Board, the Province is proposing a First Nations On-Reserve Delivery Credit that could save eligible residential customers about $1,020 per year, on average. The credit would be funded by provincial revenues. The government intends to introduce legislation that would, if passed, enable this.

Providing Further Support for Rural and Remote Communities

The Rural or Remote Rate Protection (RRRP) program currently provides a rate subsidy to about 350,000 eligible rural and remote residential customers who face higher distribution costs compared to urban areas.

The Province is proposing to expand the RRRP to provide distribution delivery charge relief to about 800,000 customers served by Local Distribution Companies (LDCs) with the highest rates: Hydro One R2 and R1 customers, Northern Ontario Wires Inc., Lakeland Power Distribution Inc. (Parry Sound service territory), Chapleau Public Utilities Corporation, Sioux Lookout Hydro Electric Commission, InnPower Corporation, Atikokan Hydro Inc. and Algoma Power.

Customer classifications for Hydro One

Hydro One customer service types are determined by the kind of electricity services as well as by density – how many customers there are in the area and the number of customers per kilometre of line.

- Urban High Density – contains 3,000 or more customers, with at least 60 customers for every kilometre of power line used to supply energy to the zone.
- Medium Density (R1) contains 100 or more customers, with at least 15 customers for every kilometre of power line used to supply energy to the zone.
- Lower Density (R2) – the remaining area not covered by Urban or Medium density areas.

Lowering Electricity Costs of the Most Vulnerable Consumers

The Ontario Electricity Support Program (OESP) is an income-tested, application-based program that lowers electricity costs for the most vulnerable consumers, providing a rebate directly on bills. The Province is proposing to increase the OESP by 50 per cent, which will significantly enhance the benefit eligible consumers receive and is also proposing to move forward to have the OESP funded by provincial revenues.

Eligible Consumer Type	Current Benefit[1] (Provided Monthly)		Proposed Newly Expanded Benefit (Provided Monthly)	
	Monthly Amount	Equivalent Annual Amount	Monthly Amount	Equivalent Annual Amount
Single, low-income	$30 to $50	$360 to $600	$45 to $75	$540 to $900
Eligible First Nations and Métis households, and those with unique electricity requirements	Up to $75	Up to $900	Up to $113	Up to $1,350

1. Previously funded by Ratepayers.

To help ensure that all OESP-eligible Ontarians receive their credit, the government is exploring automatic qualification for customers enrolled in other provincial low-income social programs.

Fostering Energy Efficient Improvements to Ontario Homes

The government will work with LDCs to establish an Affordability Fund that will help customers in need pay their bills. Ontarians in need who do not qualify for existing low-income conservation programs may qualify for financial assistance to undertake energy efficiency improvements that will help reduce their future electricity bills.

The Province will pay for the Affordability Fund through provincial revenues.

Reducing Electricity Costs for Businesses

Commented [GH1]: Not sure if this fits in this chapter as this chapter talks about families, not busiensses.

The government is continuing to lower electricity costs for businesses and maintain a competitive business environment. Ontario is proposing to expand the Industrial Conservation Initiative (ICI) program by reducing the eligibility threshold from 1 Megawatt (MW) to 500 kilowatts (kW) for targeted small manufacturing and industrial consumers.

This is in addition to the Province's existing actions to reduce electricity costs for businesses, such as Providing ongoing support to qualifying large industrial facilities in Northern Ontario beyond March 2017, with continued investment of up to $120 million per year under the Northern Industrial Electricity Rate (NIER) program and ending the Debt Retirement Charge (DRC) for commercial, industrial and all other electricity users, as of April 1, 2018.

Modernizing the Province's Electricity Markets

Ontario's commitment to lowering energy costs for ratepayers would include working with the province's agencies to identify opportunities to drive efficiency and productivity improvements.

- The Ontario Energy Board (OEB) regulates and licenses more than 70 Local Distribution Companies (LDCs) and will identify opportunities to further drive transmitter and LDC efficiencies and productivity improvements, including the use of innovative technologies and business processes.

- The Independent Electricity Systems Operator (IESO) plans for the province's electricity needs, balances the supply and demand for electricity in Ontario in real time and administers conversation programs. Changes related to the IESO's market renewal initiatives are estimated to save at least $200 million per year, starting in 2021.

Expanding Access to Natural Gas [G. Flanagan_CPD]

Ontario is investing $100 million for the new Natural Gas Grant Program to expand access to natural gas for communities that do not currently have service, including those in rural areas, Northern Ontario and First Nation communities. The program will support the building of natural gas infrastructure.

Natural gas is consistently less expensive than alternative sources of energy. Enabling more communities to access natural gas could attract new industry make commercial transportation and agriculture more affordable, provide a cleaner source of energy, and reduce costs.

Switching from oil to natural gas under this program can save an average consumer an estimated $1,100 annually.

Section C: Borrowing and Debt Management

File	Ch6c_Debt_v1_0217
Chapter, Title	Chapter 6: Responsible Fiscal Management Section C: Borrowing and Debt Management
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Reducing Ontario's Electricity Sector Stranded Debt

Ontario Electricity Financial Corporation (OEFC) interim results for 2016-17 show an estimated excess of revenue over expense of more than $0.9billion, which would reduce OEFC's unfunded liability (or "stranded debt of the electricity sector") from $4.4 billion as of March 31, 2016, to below $3.5 billion as of March 31, 2017. This would be the thirteenth [TBC] consecutive year of stranded debt reduction.

Projected 2017-18 OEFC results are an excess of revenue over expense of about $1.1 billion.

The government dedicates revenues it receives from the electricity sector to OEFC. All OEFC revenues, including the debt retirement charge (DRC) paid by electricity users, are used to service and retire its debt and other obligations, as provided for under the *Electricity Act, 1998*.

Through prudent management of electricity sector debt and other obligations, the government has removed the DRC cost from residential electricity users' electricity bills beginning January 1, 2016, and is ending the debt retirement charge (DRC) as of April 1, 2018, for industrials, businesses and other electricity users such as institutions and not-for-profits - nine months earlier than previously estimated.

OEFC will also receive a financial benefit related to the secondary offering of Hydro One shares in accordance with section 50.3 of the *Electricity Act, 1998*. This financial benefit will contribute to paying down stranded debt.

Section B: Details on Ontario's Finances

File	Ch6b_Finances and Eco Outlook_v2_0303
Chapter, Title	Chapter 6: Responsible Fiscal Management Section B: Details on Ontario's Finances
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The outlook for **Income from Government Business Enterprises** (GBEs) is based on Ministry of Finance estimates for Hydro One and Hydro One Brampton and projections provided by Ontario Power Generation, LCBO and OLG [placeholder].

Table 6.X Revenue
($millions)

		Actual	Interim	Plan
	2014-15	2015-16	2016-17	2017-18
Taxation Revenue				
Electricity Payments in Lieu of Taxes				
Government Business Enterprises				
Ontario Power Generation Inc./ Hydro One Ltd/ Brampton Distributions Holdco Inc.				
Other non-tax revenue				
Electricity Debt Retirement Charge				
Power Supply Contracts Recoveries				

Table 6.X Details of Other expenses
($millions)

		Actual	Interim	Plan
	2014-15	2015-16	2016-17	2017-18
Ministry Expenses				
Energy				
8% Provincial Rebate for Electricity Consumers				
Finance				
Power Supply Contract Recoveries				