Ontario

Note for remarks by

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MARCH 2, 2017

ANNOUNCEMENT: ONTARIO'S FAIR HYDRO PLAN

CHECK AGAINST DELIVERY

Good morning.

We're here today to talk about the high cost of electricity in Ontario – how it got to this point, how it must be fixed and how exactly we're going to put that fix in place.

For too long, governments – my own included – have made mistakes in the way we've structured Ontario's electricity system. That has resulted in rates that are unfairly high. It's time to fix those mistakes. In ways that work for today – and for the future.

Electricity is not a frill – it's an essential part of our daily lives. And everywhere I go, I hear from people worried about the price they are asked to pay for hydro and the impact it has on their household budgets. It's not just some people, and it's not just in some places. It's everyone and in every corner of the province. In the North and the South. In rural Ontario and downtown Toronto. For the past couple of months I've made a point of connecting with people who have written to me about this issue. I've called them up or gone to visit. I've sat and talked and listened.

Here's what I've heard. Families have said to me they don't understand why rates have gone up so much – or why they've gone up so quickly. People have told me they are confused by bills that charge more for delivery than for the power that's been used. For some families it's gotten to the point where they must choose between keeping the lights on and keeping food in the fridge. That's unacceptable.

People want to know three things:

- First, that relief – substantial relief – is on its way.
- Second, that relief will go to everyone
- And third, that the relief will be lasting because it is built on a real change – in other words, that bills won't jump back up in a couple of months or a couple of years.

We're going to deliver on all three counts – and that starts by bringing down what people pay on their bills.

Last September, I committed to reduce electricity bills by 8 per cent across the board, equivalent to the provincial portion of HST. But it hasn't been enough. It's made too small a dent.

For that reason, we are taking further action. We are tripling the size of the cut we're making to people's hydro bills from 8% to an average of 25%. Electricity rates in Ontario will come down significantly, they're going to stay down and everyone will benefit.

Let me emphasize that last point – the cut will go to all households that pay for electricity. There will be no asterisks, no loop holes and no exceptions. Our plan will lower electricity bills by 25% on average for all residential consumers in the province. And for those living in rural communities or with low incomes the break will be even greater.

Nos mesures visant à réduire les factures d'électricité n'ont pas assez fait. Nous prenons donc davantage de moyens pour restructurer et refinancer le système. Le résultat sera des tarifs d'électricité en Ontario grandement réduits. On parle d'une réduction moyenne de vingt-cinq pour cent. Les tarifs vont demeurer bas et tout le monde en profitera. La réduction s'adresse à tous les clients résidentiels. Pour les clients en région rurale et éloignée ou pour ceux ayant un faible revenu, le rabais sera encore plus important. C'est la bonne chose à faire.

In addition, this rate relief is designed to last. After we bring bills down by 25% we will hold them there with rates rising only with inflation – or roughly 2% - for at least four years. This is the largest cut to electricity rates in the history of Ontario.

In dollars and cents, the exact benefit will vary by household. But if, for example, your monthly bill adds up to $135, this cut will drop it down to around $101.

Now that I've described what we're doing today let me turn to how. I'll have to begin with a bit of context about the way our electricity system has evolved over the years. Because the way we bring rates down isn't by waving a magic wand. It's by fixing a system that has been structured unwisely and in some ways, unfairly.

For decades, Ontario enjoyed one of the largest, most impressive and up-to-date electricity systems in North America, if not the world. Power generation was supported through a combination of hydro, coal and nuclear. Power lines crisscrossed the province and the lights came on because we had sophisticated, well-run distribution systems.

But over time, there were two problems. First, governments of all stripes let the maintenance and support of that system slide. No politician or premier wants to defend rising rates and for decades the easiest way to avoid the pinch was to invest as little as possible. But that came at a price. Eventually, systems became outdated, the grid was less reliable and, just like an old house that wasn't kept up, it began to show. We all remember the blackouts in 2003 when it became obvious that our system was long overdue for some significant – and expensive – upgrades.

Let me just pause and say on this point that we all bear responsibility for that. Liberal, Conservative and NDP governments. For the better part of 50 years we didn't pay our way. Until about a decade ago, when it came to a head. The system needed major rebuilding. Which meant a major price tag. A lot of that money came in the form of rates –higher bills. So for the past few years customers have been paying not only for the power they consume but for the past neglect, for the price of major new refurbishments and for the cost of renovating a system that went without proper repairs for far too long.

So the good news is that we've created an electricity grid that is second-to-none. In the past few years we've invested more than 50 billion dollars in electricity infrastructure – new dams in the south, new towers in the north, 13 billion dollars to refurbish nuclear power plants alone and billions more to ensure new transmission and distribution lines everywhere. These are enormously important assets that meet the demand for cleaner and reliable power everywhere in the province. These are assets that belong to all the people of Ontario and that will serve us for many decades to come.

But the way we financed those investments was a mistake. We asked one generation – today's generation – to unfairly shoulder the burden of nearly all of those costs. We had to play catch-up and we asked today's ratepayers to cover nearly the whole tab.

Think of it in terms of a mortgage. We needed to rebuild the system and so we went to the bank for that money. But the terms that were set weren't fair – particularly the amortization. Instead of paying off the mortgage over 30 years, we agreed to a term of 20. That means that we pay things down faster. But the monthly mortgage payments – or, in this case, your hydro bills – are higher. And it doesn't really make sense since that house – or in this case the electricity system – is an asset that will continue to benefit people far past that contract term. In effect, this generation has been subsidizing not just those who came before, but those who will come next.

That's not right – and it has been notably unfair on today's hydro users. So we're fixing that.

We're refinancing the mortgage and setting a new term that stretches over a longer period. Over time, it will cost a bit more. And it will take longer to pay off. But it is fairer – because it doesn't ask this generation of hydro customers alone to pay the freight for everyone before and after. The burden will now be shared more evenly and more appropriately.

That's the first and most important fix we're putting in place.

There is a second reason however that hydro bills have gone up and I also want to acknowledge that.

For years, we fueled part of our electricity grid with dirty coal. It was a relatively cheap way to generate power but it was costly in terms of environmental and health effects. Smog days, exhaust, particulates, emissions and climate change. These were all dangers of using coal. The previous government, under my predecessor, changed that. We no longer burn coal to generate electricity in Ontario.

And we have since gone further. We have adopted a range of programs to encourage the development of clean energy here at home with solar and wind generation. And we have championed conservation.

I believe strongly in those policies. A growing clean energy sector creates jobs for everyone. Fewer smog days improve the health of us all. I believe they will generate benefits far into the future – both economically and environmentally. But they come at a cost. We clearly did not always get the implementation right. For example, the incentives we first put in place to encourage green energy production were too generous and we've had to bring them down.

It's not just about clean energy policies. We've also long had programs in place to give targeted help to certain communities and groups – like the Ontario Electricity Support Program or OESP which helps lower hydro costs for those with lower incomes.

There are also people living in rural and remote parts of Ontario who have been paying much higher distribution costs, compared to people who live in urban areas. And we are going to be providing more relief on those delivery charges – supporting some 800 thousand families.

We can all agree that we have to help people who need that extra support. But ratepayers have been carrying the cost of those programs, not taxpayers. And that simply is not fair.

As I have said, electricity is a necessity. So it only makes sense that we share the cost of making sure no one has to make those difficult decisions between heating their home and feeding their family.

Of course, the consequence of these big changes – refinancing our electricity system's mortgage and shifting programs off of the Hydro bill – do not come free. Although the refinancing occurs within the electricity system and is accounted for separately, the overall fiscal impact of this relief and restructuring will cost the province about 2.5 billion dollars over the next three years.

Thanks to a provincial economy that is leading all of Canada in growth, we can make this change and stay on track for a balanced budget next year and the years to follow. But it's going to be a lot harder now and we'll remain a lot closer to the line.

Let me just say this: It's worth it.

It's worth it for a true structural fix that will be long-lasting. Not just another short-term stopgap. But something sound and sustainable. And that's exactly what we've done.

The people and families I've spoken with in recent months have made it clear: This must be our top priority. The burden of high hydro rates has become too great. We have to bring them down. And frankly, if we're going to bring our budget into balance what better place to direct that newfound financial strength than giving households a break in the high price they pay for electricity.

In that respect, let me also address the elephant in the room – didn't it take me too long to come to grips with this? Why am I only acting now?

Those are fair questions. It has taken a long time. But it's not as if I've been unaware of the challenge. I have seen the rising rates. My family and I get a bill like anyone else. And we did take action – with targeted relief, the 8 per cent cut, the Hydro-Quebec deal. These were worthwhile initiatives. But, ultimately they were too narrow in scope - too limited when the kind of fix required was more fundamental.

Beginning last year, I started to ask tougher questions about how we got to this point. And what could be done. For decades, bad choices have been made. Those governments, including ours, who for decades pushed off the price of reinvesting in the system? That was a mistake. Putting too much of the burden on a single generation of ratepayers? That was a mistake. And asking hydro users alone to pay for policies that ought to be paid for by all taxpayers? That was a mistake too.

The policy was wrong. That made the pocketbook pressures impossible. And as Premier, I have an obligation to set the policy right. To put in place a fix that will work. And a fix that will last.

Bringing down rates by 25% and fixing the system's structure – that's the approach that I believe in. I think it's better for Ontario. And I know it's fairer on families.

Thank you.