2018 Ontario Budget

March 28, 2018

Summary

There was very minimal content in the 2018 Budget, *A Plan for Care and Opportunity*, related to the energy sector. The instead government focussed on three themes: health care spending, childcare and senior care, and economic growth and infrastructure. However, the government did reiterate many of its previous energy policy commitments found in the 2017 Long Term Energy Plan, the Fair Hydro Plan, and the Green Ontario Fund.

The opposition criticism focussed on the growing debt of the Ontario government and a $6.7 deficit, with Progressive Conservative Leader, Doug Ford, promising to have a balanced budget if elected. While New Democratic Party Leader, Andrea Horwath, characterized the latest budget as merely a cynical last ditch effort from a government seeking votes in the upcoming election.

There was one mention ~~were no mentions~~ of the Independent Electricity System Operator in the 2018 budget regarding the IESO's established Matawa-focused working group. The budget states that the working group is determining the best path forward for connecting five remote First Nation communites to the transmission grid.

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ES: There was one mention of the IESO and our established Matawa – focused working group that will determine the path forward for connecting 5 remote First Nations communities to the grid

Energy Sector Content

Reducing Ontario's Electricity Costs

The electricity sector content related mostly to previously announced initiatives found in the Fair Hydro Plan, but did include a graph showing electricity costs in a selection of cities or regions in Canada and around the world. The items related to reducing electricity costs included:

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- Debt Retirement Charge Ending April 1, 2018 (as previously committed) - as a result all businesses will see their electricity cost reduced by $7/MWh. In addition, in combination with electricity support programs now funded by the Province as part of the OFHP, it is estimated that there will be a 6.5% reduction in the bill of a typical non-RPP, Class B business
- Supporting Northern Businesses through the improved Northern Industrial Electricity Rate (NIER) program where large northern industrials receive a $20/MWh rebate on eligible consumption, on average electricity prices can be reduced by 25%
- Expansion of the Industrial Conservation Initiative (ICI) and OFHP – budget mentions the continued support that both the expansion of the ICI and OFHP offer to businesses

- Affordability Fund – to help Ontarians not eligible for low-income conservation programs and who need support to improve the energy efficiency of their homes.

Investing in Ontario's Low-Carbon Economy
The budget also listed the investments of the $2.4B proceeds resulting from Ontario's five auctions of GHG emissions, as well as investments expected in the coming year. Mentions of note to the IESO in this section included:

- Green Ontario Fund
    - Up to $1.7B in home energy renovations and Ontario businesses through the Green Ontario Fund
    - Mention that the Green Ontario Fund was launched using proceeds from Ontario's carbon market and a detailed listing of first year activity is provided
- Estimated $2B in proceeds in 2018-2019 Carbon Market Investments and priority investments areas include energy efficiency, engaging governments and strengthening partnerships, research and development, promotion of Electric Vehicles, modernizing transportation, preservation of agricultural lands and forests
- The Province is working with the federal government to identify opportunities for investments of up to $420M in Ontario under the new federal Low Carbon Economy Fund

Connecting Northern Remote Communities to the Transmission Grid
The budget also included some reiteration of pre-existing announcements related to connecting remote communities to the bulk electricity system. This includes:

- Reference in budget to LTEP's conclusion to connect as many as 21 of 25 remote First Nations communities in northwestern Ontario to the grid
- Wataynikaneyap Power selected to connect 16 of the remote communities to the grid
- IESO has established a Matawa-focused working group to assist in determining the best path forward for 5 other communities that are economic to connect to the grid

Major themes in the 2018 Budget

The budget introduced a number of initiatives for families, seniors and economic development. This was accomplished by increasing spending to $158.5B, including a $6.7B deficit in 2018-19.

Budget Deficit

- The Province is projecting a modest deficit of $6.7B, 0.8% of GDP
- New investments will total $20.3B over 3 years
- The Province is projecting a return to a balanced budget by 2024-2025

Health Care

- Increasing investments in health care by more than $5B over three years
- 4.6% increase ($822M) in hospital funding

- The new Ontario Drug and Dental program will reimburse 80% of eligible prescription drug and dental expenses annually (with caps) for those without benefits or not covered by OHIP+
- Improving access to mental health care with an additional $2.1B over four years
- Investing $1.8B to strengthen services for 47,000 adults with developmental disabilities
- Investing up to $242M over three years in Ontario's Strategy to End Gender-Based Violence

Child Care and Senior Care

- Free child care for children from two-and-a-half until kindergarten-age, beginning in 2020
- Investing $1.6B over five years to create 45,000 new licensed child care spaces
- Free prescription drugs for everyone 65 and older extending OHIP+
- The new Seniors' Healthy Home Program provides a benefit of up to $750 annually for eligible households led by seniors 75 and over

Economic Growth and Infrastructure

- The Good Jobs and Growth Plan includes $935M in new funding over 3 years to support businesses, students and graduates
- Support for Northern businesses through an additional $85M over the next 3 years to support job creation and innovations
- College and university tuition free for more than 225,000 students
- A cut to the small business Corporate Income Tax rate of 22%
- Increase in minimum wage to $14/hour on January 1, 2018 and an additional increase to $15/hour on January 1, 2019
- Continuing to invest $120M annually to reduce electricity costs for large industrial facilities in the north
- Creation of 70,000 jobs by renewing and extending the Jobs and Prosperity Fund with an increase of $900M over the next 10 years
- Investing $230B over 14 years starting in 2014-15 in priority infrastructure projects such as hospitals, schools, transit, bridges and roads
- Making workplaces fairer for everyone by tackling the gender wage gap, and support for women on boards and in senior management roles.