



Campbell Strategies

Ontario 2010 Fall Economic Statement and Upcoming Energy Announcements

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November 2010

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On November 18, Ontario Finance Minister Dwight Duncan provided a fiscal update on the provincial economy, and details on several new "pocket book" policies that will reduce costs for Ontarians. To address the emerging consensus that energy prices will be a major election issue in 2011, the government announced earlier in the week that it will introduce an "Ontario Clean Energy Benefit" starting on January 1, 2011 which will reduce hydro bills for ratepayers by 10%.

What was surprising, from a communication standpoint, was the government's announcement that electricity rates are expected to increase by 46% over the next five years. The McGuinty Liberals appear to be engaging in a more active effort to explain why it is that hydro rates are increasing, which they have not really done since before the last provincial election. The rate increases are largely a result of the significant investments the province has had to make in rebuilding the province's generation capacity, as well as the transmission and distribution system.

Below are several other important measures contained in the Fall Economic Statement:

- Regulation of the over-the-counter (OTC) derivatives market: The Minister announced that Ontario will develop and implement a regulatory framework for over-the-counter (OTC) derivatives. The amendments to the

Ontario *Securities Act* would allow for new rules specifically designed for OTC derivatives and would also include derivatives within the scope of existing insider-trading offences. It is expected that the OSC will shortly undertake consultations to develop the rules to implement this reform. Despite some concerns from some in the financial services industry that Ontario may be going too far, the province (through the OSC) has been intimately involved in the Working Group discussions with the Bank of Canada, and Ontario's measures appear to be consistent;

- Regulation of Alternative Trading Systems (ATS): The Fall Budget Bill includes amendments that will strengthen the oversight of ATS by the OSC;
- Regulation of credit rating organizations: The province is also moving forward with regulation of credit rating agencies by introducing framework amendments that give authority to the OSC to regulate the sector;
- Teranet: The province has negotiated an extension of Teranet's exclusive license to provide electronic land registration and writs services in Ontario for an additional 50 years. Under this proposed agreement, Teranet's owner will provide the province with an upfront payment of \$1 billion, which will be used to reduce the province's debt;
- Ontario Energy and Property Tax Credit: earlier, the province announced it would provide relief for both sales tax on energy and for property taxes for low- to middle-income Ontarians. This tax credit would provide up to \$1,025 annually for eligible seniors or up to \$900 annually for non-seniors;
- Children's Activity Tax Credit: earlier in the month, the province announced that it would introduce a Children's Activity Tax Credit - another measure aimed at sustaining support from Ontario families.

Additional information on the Ontario Fall Economic Statement can be found at:

<http://www.fin.gov.on.ca/en/budget/fallstatement/2010/>

Energy Update: Minister's Directive and Long-Term Energy Plan

Energy Minister Brad Duguid is expected to announce on Tuesday, November 23 the Directive to the Ontario Power Authority and the province's Long-Term Energy Plan. The plan will outline over the next 20 years the investments that are necessary in conservation, renewables, nuclear base load, peaking capacity, as well as Ontario's transmission and distribution systems. It is also expected that the announcement could provide "signals" with respect to Ontario's Feed-in-Tariff (FIT) program. Campbell Strategies will provide a full analysis of the Minister's announcement when it occurs next week.

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If you have questions regarding the topics in this newsletter or related government matters, please contact our consultants.

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