What the Ontario 2014 Budget means for electricity ratepayers

If Ontario's electricity customers were expecting relief in the 2014 Ontario budget their hopes are dashed — rates will continue to rise.

Average ratepayers will continue to be punished as the Ontario Liberal government forces them to pay for the growth of expensive, unreliable renewable energy in the form of wind, solar and biomass.

Relief measures are few in the drive to maintain Ontario's lead as the most expensive electricity sector in Canada. The only true relief measure announced in the budget is the cessation of the Debt Retirement Charge on December 31, 2015. That will benefit the average ratepayer $70 a year but with the Ontario Clean Energy Benefit (OCEB) of about $160 a year falling away on the same day, the net cost to ratepayers is $90 per year, not including the HST — the total cost is $100. Gross savings to ratepayers from the DRC is about $315 million (4.5 million ratepayers X $70) and the loss to ratepayers of the OCEB will cost $720 million (4.5 million ratepayers X $160).

Now the bad news: the additional $100 in annual costs will be augmented by the following budget items. And that doesn't include the additional cost of solar, wind and biomass that will come on stream.

1. The additional costs of the saveONenergy for Business Conservation program and the expansion of the program to provide increased incentives**.**
2. The financing to small businesses to cover the upfront capital costs of conservation projects via "on-bill financing" with repayment through the utility bill.
3. A commitment by the Government for another six years of conservation programs.
4. Paying for "Roving Energy Managers" to "support small businesses energy-saving projects every step of the way—from applying for incentives to installing energy-efficiency measures."
Note: In the past the "conservation program" has extracted $300 million plus annually from ratepayers via the Global Adjustment (GA), so we should expect this will be larger in the future.
5. The Northern Industrial Electricity Rate Program ($360 million annual cost) will be extended through to 2016 to provide a rebate of two cents per kilowatt hour to qualifying large northern industrials.
6. Support of the "Industrial Conservation Initiative (ICI), which encourages large companies to conserve during peak hours. The program gave the largest consumers in the province the ability to save, on average, 15 to 20 % on their energy bill, giving them the special Class A status. This program costs average ratepayers $200/$400 million annually via the GA.
7. The ICI is being expanded to include a lower threshold reducing the peak from 5 megawatts (MW) to 3 MW. This will presumably pick up a lot of government MUSH (municipalities, universities, schools and hospitals) users with the drop and result in another 40/50% ($100/$200 million) increase in this cost to the average Class B ratepayers via the GA.
8. The Industrial Electricity Incentive (IEI) program offering "sharply discounted electricity rates for local job creators." This program could cost the average ratepayer $300 million annually via the GA, depending on whether large industry expands their presence in Ontario. Note: It is unclear whether the government grants count towards this expansion; e.g., Cisco is getting $200 million in grants from the province and the qualifying amount for this incentive is $250 million.
9. The possibility of a "sustainable, long-term electricity support program specifically designed for low-income Ontario families." Assuming that a minimum of a half-percent of electricity sector gross revenues are directed for this purpose, the price tag on this could be $100 million.
10. An expansion of the Aboriginal Loan Guarantee Programs (ALGP) from $400 million to $650 million to facilitate their expansion and participation in renewable energy infrastructure projects. All of

these Aboriginal projects receive "adders" (over current feed-in-tariff or FIT rates). The cost of this program is unknown at the present time.

There is more: the budget also indicated that the "Electricity Sector Pension Sustainability" is an issue they will have to deal with, according to this snippet.

> "**Electricity Sector Pension Sustainability**
> In January 2014, the government appointed Jim Leech, former CEO of the Ontario Teachers' Pension Plan, as Special Advisor, Electricity Sector Pension Sustainability, with a mandate to provide recommendations on initiatives to improve the sustainability and affordability of the plans. Electricity sector pension plans are relatively generous to employees and costly to employers; *these costs are ultimately reflected in prices charged to ratepayers*. [my emphasis]
>
> Mr. Leech has completed his report and delivered it to the government. In the near future, the Minister of Energy will announce further details respecting the report and the government's response."

What does it all mean? Relief for the average ratepayer will result in increased costs on your electricity bill. If that weren't enough, the government will "optimize" the value of Hydro One and OPG — that means rate increases from both. Right now, the Ontario Energy Board is sitting on a large rate increase request from OPG which could easily add another $200-300 million to our bills, if approved.

Now tell me again why the Wynne Liberals obtained a majority?

Parker Gallant,
July 14, 2014

The opinions expressed here are those of the author and do not necessarily represent Wind Concerns Ontario policy.