Global News Story on Rural Rates

Issue:

On September 14, 2016, Global News reported that despite the proposed 8% rebate and proposed additional Rural or Remote Rate Protection (RRRP) support for eligible low-density rural customers, *"…some Ontarians living in the lowest density areas out in the country are about to see a huge hit with a change in the way distribution is billed.*"

Global reports that "*By the end of next year Hydro One's urban customers who use the most power will see distribution rates go down by as much as 19 per cent…But customers living in the lowest density rural areas, who use the least amount of power, will be hit hardest, with distribution rates soaring by as much as 25 per cent. The increase will mean total hydro bills will be up to 11.5 per cent higher by 2017.*"

Key Messages:

- Ontario is introducing legislation which would rebate an amount equivalent to the provincial portion of HST from electricity bills for residential consumers, small businesses and farms eligible for the Regulated Rate Plan (RPP) starting January 1, 2017.

- The proposed rebate is for the pre-tax amount on a customer's electricity bill. For the average urban residential household using 750 kilowatt hours per month, we anticipate this will provide savings of about $11 per month.

- Combined with the proposed new rebate for the provincial portion of the HST, the additional rate relief for an R2 customer consuming 1,000 kilowatt hours per month will reduce the monthly bill by approximately $45. This is in addition to the $31.50 per month these customers currently receive in Rural or Remote Rate Protection (RRRP) subsidy. This subsidy has not been increased in more than a decade.

- The Ontario Energy Board (OEB) is the independent regulator of electricity distribution utilities in Ontario, such as Hydro One. The OEB has a mandate to protect the interests of consumers. Electricity distributors' distribution rates are approved by the OEB after thorough consideration and examination by interested parties, including advocates for consumers.

Q & As

Q: Can you explain what is happening to distribution rates in the Province?

A: My understanding is the OEB did change its rate policy on distribution rates and has mandated electricity distributors, including Hydro One, to move their distribution rates to a fixed monthly charge from a current combination of fixed and variable. Although this change is revenue neutral, this change means that customers that use more than average will pay slightly less. This applies only to the distribution portion of the bill, which averages about 20% to 25% of the total bill. This policy does not apply to electricity consumed, transmission, or other parts of the bill.

I'd also note that the OEB has taken a phased-in approach to these changes. The move to completely fix distribution charges will take five years for Hydro One urban customers, and eight years for Hydro One medium and low density consumers. This is done to ensure that this change does not increase bills for consumers by more than 10% per year. For more questions, please contact the OEB, which is the independent regulator of the electricity sector.

Q: Global News says that "total hydro bills will be up to 11.5 per cent higher by 2017". Is this true?

A: The OEB has not yet approved 2017 rate for Hydro One, so nobody knows what the final distribution rates will be. The OEB will make a determination on 2017 rates when Hydro One comes forward with its application this fall.

Q: Global News has reported that "*customers living in the lowest density rural areas, who use the least amount of power, will be hardest hit.*" Why isn't the government helping the provinces' lowest density rural customers?

A: The government is proposing an 8% rebate, which represents the provincial portion of HST, that all residential electricity customers and other consumers eligible for the regulated Price Plan (RPP) such as farms and small businesses will receive effective January 1, 2017, regardless of whether they are high density, medium density, or low-density.

The government estimates that a Hydro One customer consuming 1,000 kilowatt hours per month would have the bill reduced by $45 per month. This would bring the monthly bill of an R2 customer using 1,000 kilowatt hours per month more in line with what medium density (R1) customers pay.

Q: What does Global News mean when it says "*customers living in the lowest density rural areas, who use the least amount of power"*?

A: I can't speak for Global News. However, as we all know, customers who live in low-density areas typically use more power than customers in urban areas, usually because they rely more on electric heat because natural gas is not available the way it is in urban areas. The average monthly use of a low-density customer in Hydro One's R2 rate class in 2015 was over 1,300 kilowatt hours.

Q: Why are Hydro One's low-density R2 customers getting additional rate protection support?

A: Hydro One R2 customers pay amongst the highest residential rates in the province. They currently receive RRRP subsidy to help with these costs, as do some other eligible rural or remote customers. Including the support these customers receive, their rates are still among the highest. The amount of support they receive through RRRP has also been capped for more than a decade, unlike other customers that receive RRRP. In order to help customers that live in these rural low-density areas, the government has decided to increase the subsidy amount available to these customers so that their rates are more in line with medium density customers (Hydro One R1 customers).

Regulatory and Agency Policy, Sept 14, 2016.