Ontario

MINISTRY OF
ENERGY

Cost Shifts in Ontario's Electricity Sector

Working Draft

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CONFIDENTIAL DRAFT

Context

- Necessary investments in Ontario's electricity system have led to increased prices, prompting government to introduced a number of price mitigation programs for all consumer types.
  - In addition to existing rate mitigation programs, the 2016 Throne Speech announced a package of rate mitigation initiatives to address electricity prices for residential, commercial and industrial consumers.

- Ontario has a number of programs in place to manage residential electricity prices, including:
  - Ontario Electricity Support Program (OESP);
  - Rural or Remote Rate Protect (RRRP);
  - Northern Ontario Energy Credit (NOEC); and
  - Ontario Energy and Property Tax Credit (OEPTC).

- Ontario also has a number of programs in place to manage industrial electricity prices, including:
  - Industrial Conservation Initiative (ICI);
  - Industrial Electricity Incentive (IEI);
  - Industrial Accelerator Program (IAP);
  - saveONenergy for Business Program; and
  - Demand Response.

Context (cont'd)

- Several programs in the electricity sector "shift costs" from one group of electricity consumers to another:
  - **Rural or Remote Rate Protect** (**RRRP)** is a longstanding program that reduces the delivery charge for rural electricity consumers and is paid for by all consumers in Ontario through a regulatory charge on bills.
  - **Ontario Electricity Support Program (OESP)** is funded via a regulatory charge on consumer bills and provides support for qualifying low income electricity consumers.
  - **Industrial Conservation Initiative (ICI)** empowers large consumers to lower their costs by reducing their demand during peak hours. In the process, ICI shifts costs from large electricity consumers to all other consumers in Ontario.
  - **Industrial Electricity Incentive** (**IEI**) program, offers reduced electricity prices for companies starting or expanding operations in Ontario. All electricity consumers in Ontario pay for the price reduction that IEI participants receive.

Cost Shifts in Ontario's Electricity Sector

- The tables on the right show the estimated cost shifts that result from existing government programs.
- ICI has had the largest cost shift of all the programs, due to the large size of Global Adjustment (GA) and the way that it is recovered from consumer classes.
- RRRP and OESP impact the Regulatory line on consumer bills, while ICI, IEI and conservation affect Global Adjustment (i.e., Electricity line on bills of Regulated Price Plan consumers).

Cost Shift Impacts - Residential Bill

Typical 750 kWh/month Toronto Hydro consumer

$/month	**2011**	**2012**	**2013**	**2014**	**2015**
ICI	2.65	3.25	3.88	3.53	4.75
RRRP	0.90	0.82	0.84	0.92	0.93
OESP	-	-	-	-	-
Conservation	1.85	1.92	2.00	1.58	2.43
IEI	-	-	0.08	0.09	0.11
Total	**5.41**	**5.99**	**6.81**	**6.13**	**8.21**

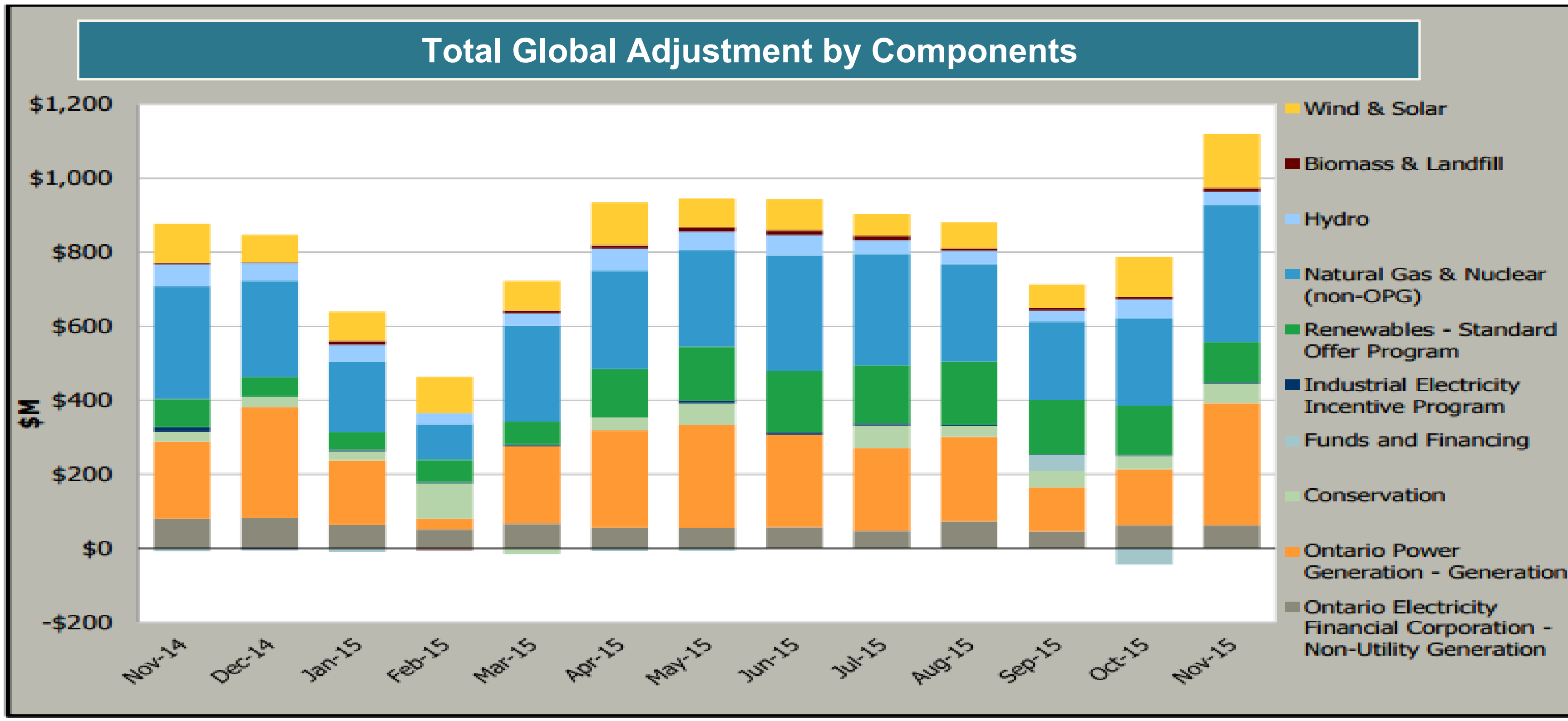
Cost Shift Impacts - Industrial Bill

Typical Class A consumer

$/MWh	**2011**	**2012**	**2013**	**2014**	**2015**
ICI	-22.17	-26.36	-30.29	-25.91	-33.79
RRRP	1.20	1.10	1.12	1.23	1.24
OESP	-	-	-	-	-
Conservation	1.53	1.59	1.66	1.31	2.01
IEI	-	-	0.07	0.08	0.09
Total	**-19.43**	**-23.67**	**-27.44**	**-23.29**	**-30.45**

Total Components of Global Adjustment

- Global Adjustment (GA) is a market mechanism that recovers costs from electricity consumers, including the cost of almost all conservation programs in the province (i.e., approximately half a billion dollars in 2016).



Source: IESO Monthly Market Report (November 2015)