
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 GA (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	2016
ICI	2.65	3.25	3.88	3.53	4.75	4.77
RRRP	0.90	0.82	0.84	0.92	0.93	0.94
OESP	-	-	-	-	-	0.84
Conservation	1.85	1.92	2.00	1.58	2.43	2.45
IEI	-	-	0.08	0.09	0.11	0.12
Total	5.41	5.99	6.81	6.13	8.21	9.12

Cost Shift Impacts - Industrial Bill

Typical Class A consumer

\$/MWh	2011	2012	2013	2014	2015	2016
ICI	-22.17	-26.36	-30.29	-25.91	-33.79	-33.92
RRRP	1.20	1.10	1.12	1.23	1.24	1.25
OESP	-	-	-	-	-	1.13
Conservation	1.53	1.59	1.66	1.31	2.01	2.02
IEI	-	-	0.07	0.08	0.09	0.10
Total	-19.43	-23.67	-27.44	-23.29	-30.45	-29.43

Note: OESP did not come into effect until 2016. The 2016 values represent forecasts and are subject to change.

Cost Shifts in Ontario's Electricity Sector (cont'd)

- The table on the right shows the total cost for various government electricity programs. These programs are currently funded through the electricity system ratebase.

Cost of Programs

By government program

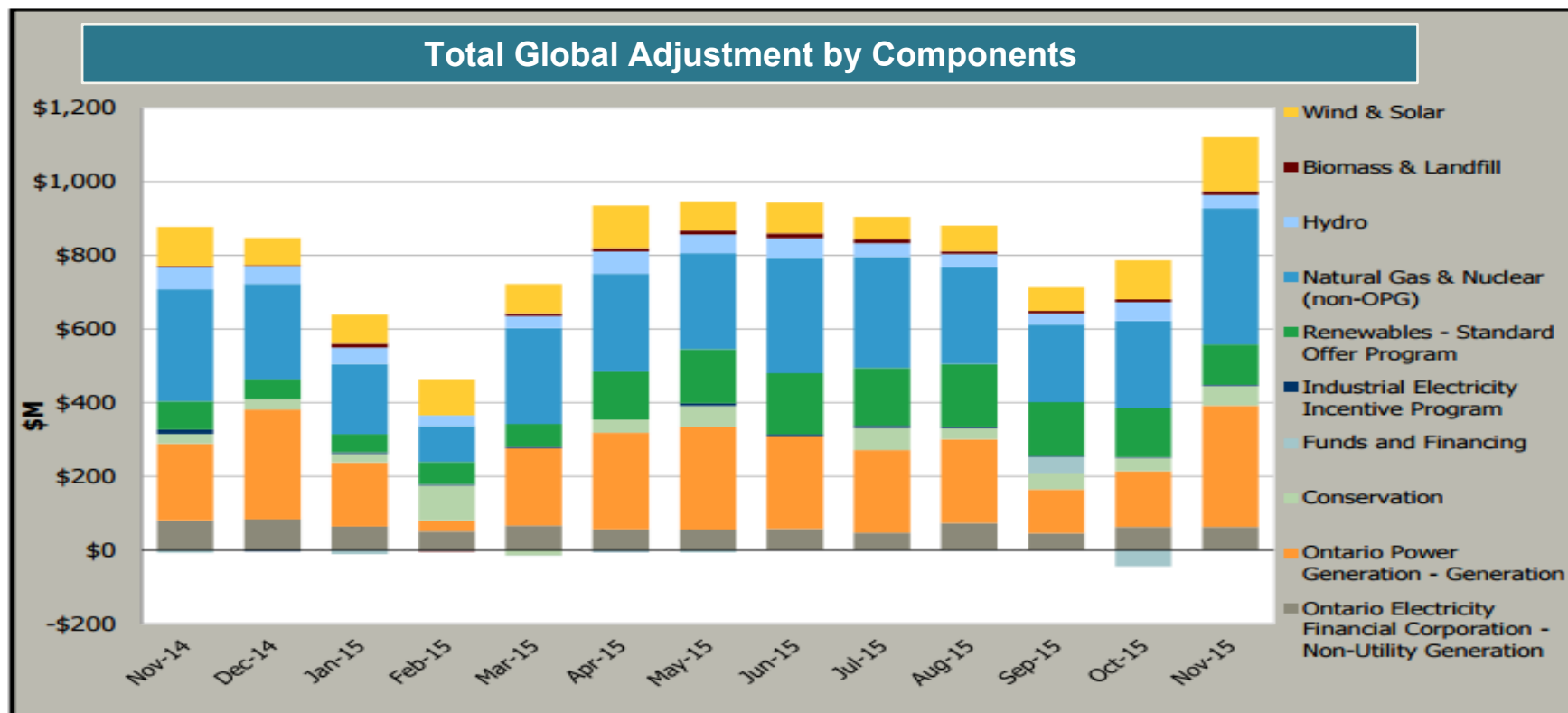
\$M	2011	2012	2013	2014	2015	2016
ICI	506	615	736	670	890	893
RRRP	172	156	159	176	174	176
OESP	-	-	-	-	-	158
Conservation	329	339	354	280	425	428
IEI	-	-	15	16	18	19

- Funding of these programs through the fiscal plan would remove these costs from the electricity system (i.e., Placing these costs on the taxbase).
- For example, removing the roughly \$900 million of program cost from the Industrial Conservation Initiative (ICI) program would save the typical residential electricity consumer \$4.77 per month in 2016.

Note: OESP did not come into effect until 2016. The 2016 values represent forecasts and are subject to change.

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)