3.0 Ontario Energy Policy in 2016

Contents

3.0 Ontario Energy Policy in 2016 1
3.1 Introduction 1
3.2 Multiple Fuels, Energy Use in Buildings, and Clean Technology 2
3.3 Transportation Fuels 5
3.4 Natural Gas 8
3.5 Electricity 10
Endnotes 15

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3.5 Electricity

Electricity Pricing

Pressure to keep electricity rates as low as possible reasserted itself in 2016 (disproportionately to the actual impact of electricity rates). The year began with the removal of the Debt Retirement Charge from residential bills (non-residential consumers will continue to pay the charge until March 31, 2018). Also in January 2016, the Ontario Electricity Support Program was launched to provide additional financial assistance on electricity bills to low-income consumers.

Two more initiatives to provide price breaks to different segments of consumers were launched in October. The *Ontario Rebate for Electricity Consumers Act, 2016* rebates the 8% provincial portion of the Harmonized Sales Tax from the electricity bills of households, farms, and small businesses. Simultaneously, the government increased the amount of subsidy provided to customers in rural and remote areas, who pay higher rates for delivery of their electricity due to lower density. {In 2017, the Ministry of Energy took further action to reduce residential electricity bills through the Fair Hydro plan. In line with the ECO's recommendation in Chapter 6 of *Facing Climate Change*, the Ministry chose not to follow through with its original plan to use funding from the Greenhouse Gas Reduction Account to reduce electricity rates.}

None of the measures described above reduces the true cost of supplying Ontario's electricity; instead they transfer costs from electricity ratepayers to taxpayers, or from one group of ratepayers to another. In contrast, two actions in 2016 attempted to adjust pricing signals to reduce peak demand; in the short term, these initiatives also transfer costs between ratepayer groups, but they hold potential over the longer term to deliver savings to all electricity customers. First, in June the OEB issued the *Regulated Price Plan Roadmap: Guideline for Pilot Projects on RPP Pricing*, a call for pilot projects to assess

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alternatives to the current time-of-use pricing structure. These pilots will test pricing or technological solutions to enable more customers to shift the timing of their electricity use away from peak hours. Second, the Ministry of Energy expanded the Industrial Conservation Initiative program for large industries by lowering the threshold for eligibility to one megawatt (MW) average monthly demand and adding several industrial customer types. This program enables participants to reduce their electricity bills if they conserve power during times of system-wide peak demand.

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