

ONTARIO'S ELECTRICITY SUBSIDIES

Recent reports by the Financial Accountability Office of Ontario (FAO) provide a useful summary of the Ontario government's subsidy of electricity prices in that province. On 19 October, 2021, the report entitled *Home Energy Spending in Ontario: Income and Regional Distribution* was released.¹ On 18 March 2021, the FAO released *The Cost of Subsidizing Green Energy Contracts for Industrial and Large Commercial Ratepayers*, which reviewed the application of the rate subsidy.²

The rapid increase in electricity prices had been a major issue in the 2018 provincial election where the Progressive Conservative party defeated the Liberal government. The new Ford government scrapped the Liberal's dubious attempt to reduce rates by deferring debt to future generations, and reduced the rates for residential, farm and small business ratepayers through a direct taxpayer subsidy. In its November 2020, budget the government extended the taxpayer subsidy to include large commercial and industrial customers.

For 2019/20 the taxpayer subsidy for residential, farm and small business customers totaled approximately \$3.5 billion, while the net cost of the large commercial and industrial subsidy is estimated at \$1.5 billion. It is estimated that the subsidy equates to a reduction in the electricity bill of 18% for the former group, and 14% to 17% for the large users.

Rationale for the Taxpayer Subsidy

During the 2018 election the Progressive Conservatives pledged to lower electricity rates for residential, farm and small business ratepayers. They believed that the taxpayer should assist these customers to lessen the financial cost of previous government decisions respecting the development of renewable energy sources. These decisions, which included signing thousands of contracts with private energy suppliers, contributed to a to the price of electricity in Ontario doubling from 2009 to 2019.³ The Liberal government attempted to achieve a similar result through the Fair Hydro plan to defer debt to future generations of ratepayers, although the provincial auditor general objected to this approach.

The government extended the taxpayer subsidy to lower the electricity costs for large commercial and industrial users in its 2020 budget. The government justified this

¹ <https://www.fao-on.org/en/Blog/Publications/home-energy-2021>

² <https://www.fao-on.org/en/Blog/Publications/2021-commercial-industrial-electricity>

³ Ibid., p. 3.

second subsidy as a way to keep electricity costs competitive with other jurisdictions that bordered the Great Lakes.⁴

The impact of the rate reduction subsidies is reflected in the significant drop in the electricity rates for Toronto between 2017 and 2021, as shown in the Appendix. Residential rates declined by 17.7%, while the rates for large power consumers dropped by 35.1%.

Low-Income and Other Specific Subsidies

The Ontario taxpayer subsidy includes specific programs for low income residential customers (the Ontario Electricity Support Program), and for on-reserve First Nations households to reduce delivery costs for these remote communities. Other taxpayer support reduces the distribution cost of rural or remote locations.⁵

Separation of Responsibilities

The Ontario taxpayer subsidy allows the government to address the issue of rate affordability and industrial competitiveness without forcing the regulator to abandon the economic justification for changes in the rates (the cost of service model). The subsidies are transparent and address specific public policy issues. They avoid the problems inherent in burdening the regulator (in this province the BC Utilities Commission) with responsibilities that are beyond its expertise, as I argued in an earlier paper.⁶

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The writer is a retired senior BC government public servant whose paper describing the BC government's manipulation of the finances of BC Hydro from 2008 to 2014 was published by *BC Studies* in November 2016. *BC Studies* published his paper on the 40-year financial history of ICBC in 2013. He is an intervener in the BC Utilities Commission's recent reviews of ICBC's and B.C. Hydro's rate requests.

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https://www.bcpolicyperspectives.com/media/attachments/view/doc/commentary_ontario_expands_electricity_subsidy_26_march_2021/pdf/commentary_ontario_expands_electricity_subsidy_26_march_2021.pdf

⁵ <https://www.fao-on.org/en/Blog/Publications/home-energy-2021> p. 6.

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https://www.bcpolicyperspectives.com/media/attachments/view/doc/comment_bcuc_mandate_3_october_2021_3/pdf/comment_bcuc_mandate_3_october_2021_3.pdf

APPENDIX

Hydro Quebec, *2021 Comparison of Electricity Prices in Major North American Cities*, April 2021

<https://www.hydroquebec.com/data/documents-donnees/pdf/comparison-electricity-prices.pdf>

Since 2017, the average price for residential customers in Toronto fell by 17.7%. This reflects the government subsidy.

Large Industrial rates are now more competitive with those in Detroit and Chicago.

AVERAGE PRICES FOR RESIDENTIAL CUSTOMERS (IN ¢/kWh)^{1, 2, 3, 4}

	2017	2018	2019	2020	2021
Canadian Cities					
● Montréal, QC	7.07	7.13	7.30	7.30	7.39
● Calgary, AB	10.45	15.79	15.74	14.83	17.26
● Charlottetown, PE	16.42	16.83	16.83	16.83	17.38
● Edmonton, AB	10.34	14.35	14.68	14.29	16.99
● Halifax, NS	16.15	16.41	16.69	16.89	17.09
● Moncton, NB	12.97	12.97	13.10	13.42	13.66
● Ottawa, ON	15.21	12.16	12.04	10.29	12.45
● Regina, SK	15.94	16.51	16.51	16.51	16.51
● St. John's, NL	11.15	12.03	12.80	13.60	13.60
● Toronto, ON	16.32	13.24	13.89	11.10	13.43
● Vancouver, BC	11.08	11.42	11.62	11.51	11.58
● Winnipeg, MB	8.71	9.00	9.37	9.60	9.87

1) For a monthly consumption of 1,000 kWh.

2) In Canadian currency.

3) Data from *Comparison of Electricity Prices in Major North American Cities* publications, Hydro-Québec, 2017-2021.

4) Average prices excluding taxes.

Since 2017, the average price for large-power customers in Toronto decreased by 35.1%. This reflects the government subsidy.

AVERAGE PRICES FOR LARGE-POWER CUSTOMERS (IN ¢/kWh)^{1, 2, 3, 4}

	2017	2018	2019	2020	2021
Canadian Cities					
● Montréal, QC	5.18	5.18	5.20	5.20	5.24
● Calgary, AB	6.09	8.32	11.97	9.73	10.25
● Charlottetown, PE	9.31	9.51	9.51	9.51	9.77
● Edmonton, AB	7.68	8.53	12.80	10.64	12.35
● Halifax, NS	10.14	10.26	10.39	10.72	11.05
● Moncton, NB	7.86	7.86	7.93	8.13	8.28
● Ottawa, ON	12.46	10.80	11.57	11.36	9.57
● Regina, SK	8.67	8.98	8.98	8.98	8.98
● St. John's, NL	6.95	7.84	8.52	9.12	9.12
● Toronto, ON	14.55	10.66	11.91	11.23	9.45
● Vancouver, BC	7.54	7.77	7.91	7.84	7.88
● Winnipeg, MB	5.01	5.18	5.39	5.53	5.68

1) For a monthly consumption of 3,060,000 kWh and a power demand of 5,000 kW.

2) In Canadian currency.

3) Data from *Comparison of Electricity Prices in Major North American Cities* publications, Hydro-Québec, 2017-2021.

4) Average prices excluding taxes.

MONTHLY BILLS ON APRIL 1, 2021
(in C\$)

Summary Table (excluding taxes)

	Residential	Small Power	Medium Power			Large Power	
Power demand		40 kW	500 kW	1,000 kW	2,500 kW ¹	5,000 kW ¹	50,000 kW ²
Consumption	1,000 kWh	10,000 kWh	100,000 kWh	400,000 kWh	1,170,000 kWh	3,060,000 kWh	30,600,000 kWh
Load factor		35%	28%	56%	65%	85%	85%
Canadian Cities							
Montréal, QC	73.94	1,015.39	12,353.50	32,647.70	80,973.75	160,339.50	1,517,815.00
Calgary, AB	172.57	1,576.37	17,513.54	49,218.39	129,528.58	313,653.00	3,129,370.30
Charlottetown, PE ³	173.77	1,809.17	18,795.97	61,540.97	174,162.97	298,940.00	2,989,400.00
Edmonton, AB ⁴	169.90	1,648.06	21,139.43	62,161.06	170,572.97	377,780.58	3,612,956.49
Halifax, NS	170.91	1,608.80	17,793.50	54,119.00	147,637.65	338,131.89	3,381,342.84
Moncton, NB	136.62	1,412.79	15,188.79	49,793.79	140,985.79	253,365.71	2,416,880.00
Ottawa, ON	124.54	1,221.35	13,929.74	45,234.85	130,192.37	292,717.69	2,790,092.79
Regina, SK	165.07	1,398.04	16,347.97	48,027.97	117,239.17	274,788.38	2,312,973.29
St. John's, NL ⁵	135.99	1,258.72	12,772.12	40,483.36	111,861.95	278,943.31	1,772,740.00
Toronto, ON ²	134.29	1,323.33	15,058.10	46,248.74	125,850.69	289,147.49	2,901,622.79
Vancouver, BC	115.80	1,186.69	12,178.09	36,408.09	99,115.20	240,987.20	2,007,867.96
Winnipeg, MB	98.69	946.94	10,724.08	29,857.48	73,645.92	173,808.57	1,483,328.88
American Cities							
Boston, MA	318.16	3,090.73	32,678.31	97,275.20	254,446.33	618,627.55	5,095,202.91
Chicago, IL	166.76	1,443.80	14,326.56	38,972.08	106,405.29	248,619.86	1,938,548.61
Detroit, MI ²	226.33	1,605.55	15,762.21	45,363.31	108,728.01	251,338.90	2,397,784.97
Houston, TX ²	140.27	1,206.05	13,240.07	43,519.42	109,152.96	267,133.90	2,431,553.83
Miami, FL ²	121.33	1,204.65	14,136.70	39,071.99	104,821.12	246,641.32	2,097,313.13
Nashville, TN	153.37	1,560.23	19,473.91	52,143.01	143,737.58	333,337.28	2,253,984.34
New York, NY ²	328.81	2,674.53	30,217.42	79,732.10	202,385.25	474,713.57	4,745,503.16
Portland, OR ²	127.49	1,208.93	13,458.82	38,771.47	95,492.56	225,389.82	2,099,099.43
San Francisco, CA ²	365.40	3,103.63	36,344.62	97,650.43	194,666.93	468,123.23	4,664,836.02
Seattle, WA	157.56	1,323.03	12,608.37	44,731.57	127,000.46	325,582.41	3,044,590.79
AVERAGE	171.71	1,583.04	17,547.36	51,498.73	134,027.43	306,914.14	2,776,582.16

- 1) Supply voltage of 25 kV, customer-owned transformer.
- 2) Supply voltage of 120 kV, customer-owned transformer.
- 3) These bills have been estimated by Hydro-Québec and may differ from actual bills.
- 4) Bills corresponding to consumption levels of 500 kW or more have been estimated by Hydro-Québec based on the applicable general rate.
- 5) Newfoundland and Labrador Hydro rates for customers with a power demand of 30,000 kW or more; Newfoundland Power rates for all other customer categories.

Update March 21, 2022, Globe and Mail editorial

<https://www.theglobeandmail.com/opinion/editorials/article-the-hydro-subsidy-washing-machine-keeps-spinning-in-ontario/>