

# Ontario's Energy and Electricity Subsidy Programs

Cost, Recent Changes and the Impact on Electricity Bills

Briefing Deck



# Purpose and Structure

**Purpose:** To examine the Province's energy and electricity subsidy programs, estimate the cost of the programs, and review how the programs affect the electricity bills of Ontario households and businesses.

The report has five main sections:

1. Cost of the energy and electricity subsidy programs over 20 years.
2. Program changes since 2017.
3. Impact of the programs on residential electricity bills.
4. The government's commitment to lower electricity bills by 12%.
5. Impact of the programs on non-residential electricity bills.



# Cost of the Energy and Electricity Subsidy Programs



# Cost of the Energy and Electricity Subsidy Programs, 2020-21 to 2039-40

- Nine programs will cost \$118.1 billion over 20 years.

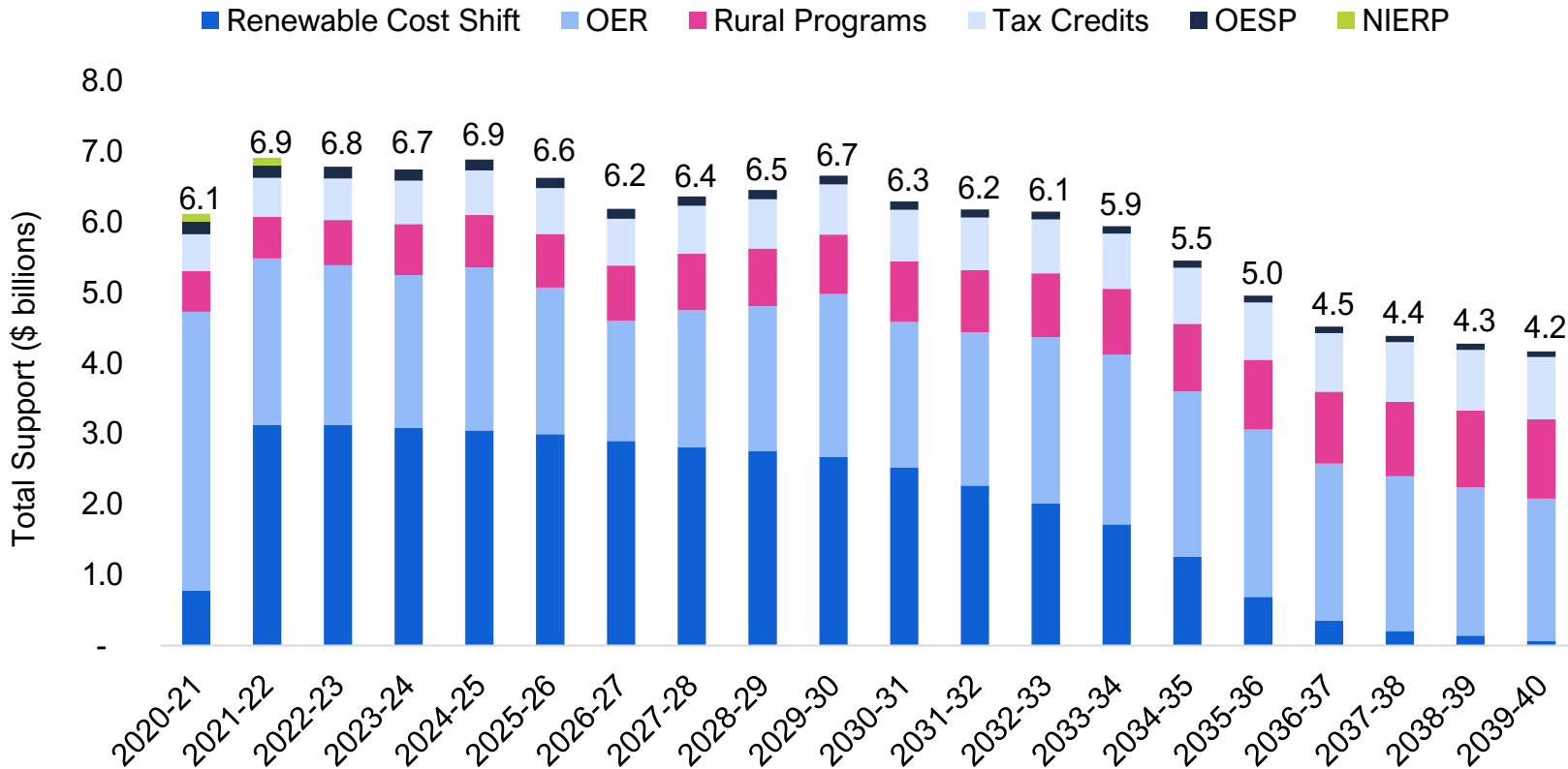
Program	Cost from 2020-21 to 2039-40 (\$ billions)	Share of Total Cost
Ontario Electricity Rebate (OER)	45.4	38.4%
Renewable Cost Shift	38.6	32.7%
Ontario Energy and Property Tax Credit (OEPTC) – energy component	13.7	11.6%
Distribution Rate Protection Program (DRP)	10.4	8.8%
Rural or Remote Rate Protection Program (RRRP)	6.1	5.2%
Ontario Electricity Support Program (OESP)	2.5	2.1%
Northern Ontario Energy Credit (NOEC)	0.7	0.6%
On-Reserve First Nations Delivery Credit	0.6	0.5%
Northern Industrial Electricity Rate Program (NIERP)	0.2	0.2%
<b>Total</b>	<b>118.1</b>	<b>100%</b>

Source: FAO analysis of information provided by the Ministry of Energy and the Independent Electricity System Operator, and publicly available information.



# Annual Cost of the Programs

- The annual cost of the programs will decline by **40% (\$2.7 billion)** from 2021-22 to 2039-40.



Notes: The “OER” is the Ontario Electricity Rebate program; the “Rural Programs” consists of the Distribution Rate Protection Program, the Rural or Remote Rate Protection Program and the On-Reserve First Nations Delivery Credit; “Tax Credits” consists of the Ontario Energy and Property Tax Credit – energy component and the Northern Ontario Energy Credit; the “OESP” is the Ontario Electricity Support Program; and the “NIERP” is the Northern Industrial Electricity Rate Program.

Source: FAO analysis of information provided by the Ministry of Energy and the Independent Electricity System Operator, and publicly available information.



# Program Changes Since 2017



# Program Changes Since 2017

- Since the introduction of the Fair Hydro Plan in 2017, the Province has made two important changes to its energy and electricity subsidy programs:
  1. In 2019, the Province replaced the Fair Hydro Plan with the Ontario Electricity Rebate.
  2. In 2021, the Province introduced the Renewable Cost Shift.
- These two changes will **cost the Province an additional \$52.9 billion** from 2020-21 to 2039-40.
  - The incremental spending represents **45%** of the total estimated \$118.1 billion cost of the energy and electricity subsidy programs over the 20-year period.



# Replacing the Fair Hydro Plan

- In 2019, the Province replaced the Fair Hydro Plan with the Ontario Electricity Rebate.
- This change will cost the Province **an additional \$37.6 billion over 20 years** due to two significant policy changes:
  1. Annual electricity bill increases for residential ratepayers will be held to 2% indefinitely (as opposed to only four years at the rate of inflation commitment under the Fair Hydro Plan).
  2. Ratepayers will no longer have to repay any funds borrowed to reduce electricity bills through future additional bill charges.





# Introducing the Renewable Cost Shift

- In 2021, the Province introduced the Renewable Cost Shift, which moves approximately 85% of the cost of electricity generation from 33,000 renewable energy contracts from ratepayers to the Province.
- Only large commercial and industrial ratepayers that are ineligible for the Ontario Electricity Rebate will receive a net reduction in their electricity costs through the Renewable Cost Shift.
- The incremental cost of the Renewable Cost Shift will be **\$15.3 billion over 20 years**.



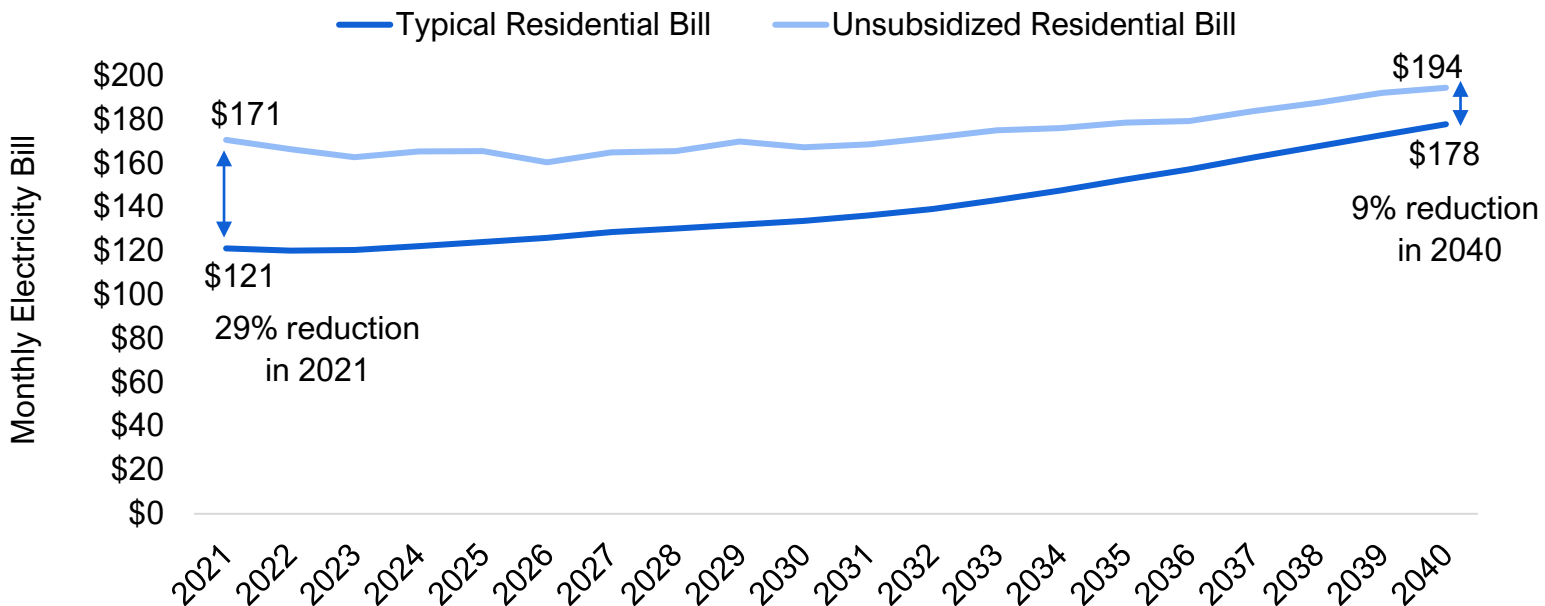
# Residential Ratepayer Electricity Bills



# Electricity Bill Reduction for Typical Residential Ratepayer

- The electricity subsidy programs reduced a typical residential electricity bill by **29%** in 2021.

**Estimated monthly typical residential electricity bill with and without provincial electricity subsidy programs, 2021 to 2040**



Note: A “typical residential ratepayer” is a residential customer paying time-of-use electricity pricing with average monthly household electricity intensity. This ratepayer is not a rural or low-income ratepayer and so is ineligible for the Ontario Electricity Support Program, the Distribution Rate Protection Program, the Rural or Remote Rate Protection Program and the On-Reserve First Nations Delivery Credit.

Source: FAO analysis of information provided by the Ministry of Energy and the Independent Electricity System Operator, and publicly available information.



# The Commitment to Lower Electricity Bills by 12%



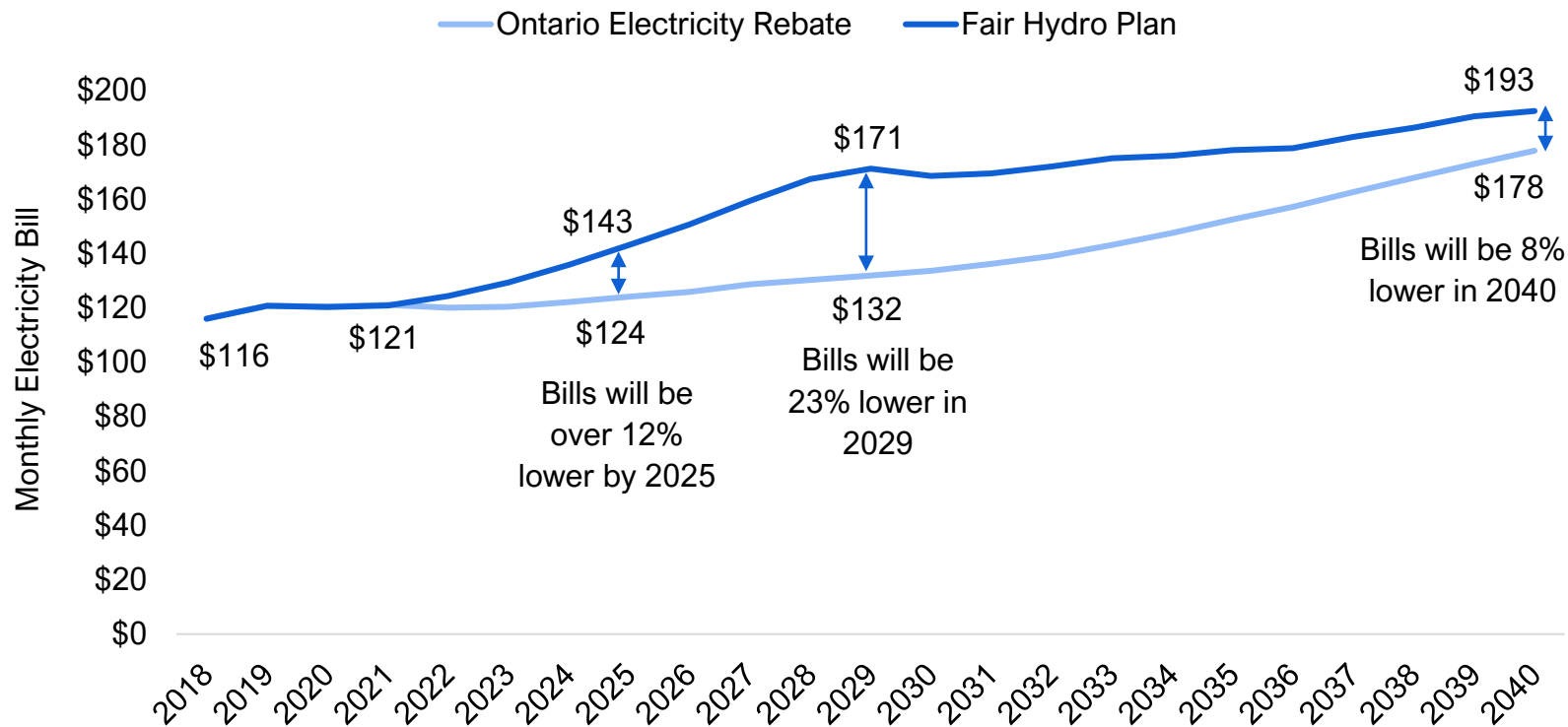
# The Commitment to Lower Electricity Bills by 12%

- The Province does not intend to lower electricity bills by 12% from 2018 levels.
- Instead, the Province intends to meet its commitment by comparing residential electricity bills under the **current electricity subsidy programs** against what electricity bills would have been under the **Fair Hydro Plan**.
- Under this approach, by 2025, electricity bills **will be over 12% lower** than what they would have been under the Fair Hydro Plan.



# Comparing Electricity Bills under Current Programs against the Fair Hydro Plan

Monthly typical residential ratepayer electricity bills, Fair Hydro Plan vs. Ontario Electricity Rebate, 2018 to 2040



Note: A "typical residential ratepayer" is a residential customer paying time-of-use electricity pricing with average monthly household electricity intensity. This ratepayer is not a rural or low-income ratepayer and so is ineligible for the Ontario Electricity Support Program, the Distribution Rate Protection Program, the Rural or Remote Rate Protection Program and the On-Reserve First Nations Delivery Credit. "Fair Hydro Plan" represents projected after-tax electricity bills under the Province's electricity subsidy programs from 2017. "Ontario Electricity Rebate" represents after-tax electricity bills under the Province's current electricity subsidy programs.

Source: FAO analysis of information provided by the Ministry of Energy and the Independent Electricity System Operator, and publicly available information.

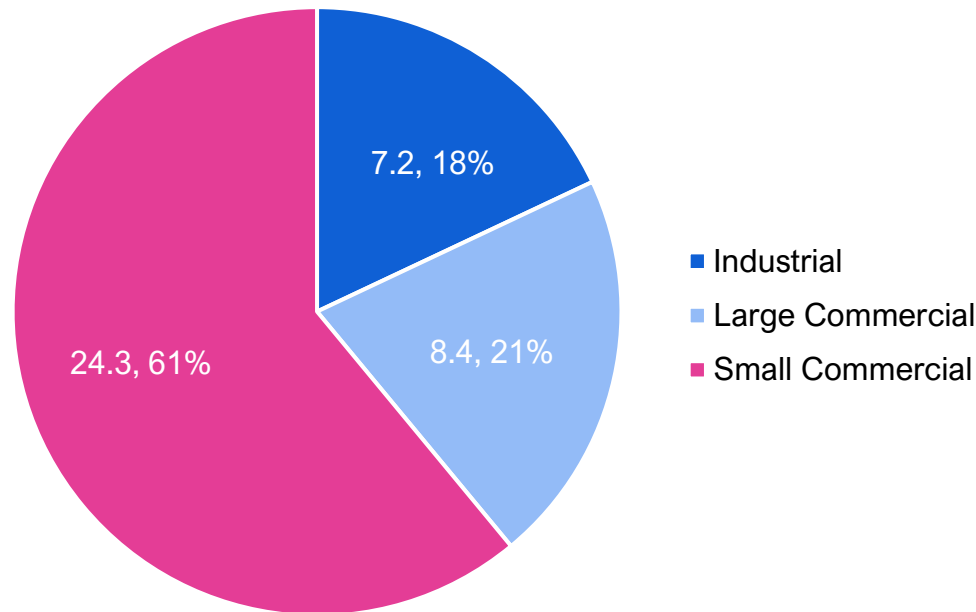
# Non-Residential Ratepayer Electricity Bills



# Non-Residential Electricity Subsidies

- The FAO estimates that **\$39.8 billion** (one-third of the \$118.1 billion total) in energy and electricity subsidies will benefit non-residential ratepayers over 20 years.

**Allocation of non-residential electricity subsidies by customer class, 2020-21 to 2039-40, \$ billions**



Note: "Small Commercial" includes small businesses, farms and long-term care homes; "Large Commercial" are Class B ratepayers as defined by the IESO that are not eligible for the Ontario Electricity Rebate; and "Industrial" are Class A ratepayers as defined by the IESO.

Source: FAO analysis of information provided by the Ministry of Energy and the Independent Electricity System Operator, and publicly available information.





# Impact on Non-Residential Electricity Bills

- **Small commercial (OER eligible):** will receive **\$24.3 billion** through the OER and the Renewable Cost Shift. The impact on their electricity bills will be similar to residential ratepayers.
- **Large commercial:** will receive \$8.4 billion through the Renewable Cost Shift. This will provide a **16% bill reduction in 2021-22**, which will decline over time as the subsidized renewable energy contracts expire.
- **Industrial:** will receive \$7.2 billion through the Renewable Cost Shift and the Northern Industrial Electricity Rate Program.
  - The Renewable Cost Shift will provide a **14% bill reduction in 2021-22**, which will decline over time as the subsidized renewable energy contracts expire.
  - NIERP provides eligible large industrial ratepayers in Northern Ontario with a rebate of \$20 per megawatt hour, which represents a **discount of approximately 22%** on the price of electricity.



# Thank you!



# FAO

FINANCIAL ACCOUNTABILITY  
OFFICE OF ONTARIO

2 Bloor Street West, Suite 900, Toronto, Ontario, M4W 3E2

416.644.0702

[info@fao-on.org](mailto:info@fao-on.org)

[fao-on.org](http://fao-on.org)

