

High electricity prices putting rural Ontario in energy poverty

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Ontario's dramatic electricity price increases garnered national attention recently when a [report](#)¹ last week on "Global National" highlighted how energy poverty is a growing concern for rural Ontarians. According to the report, even small households are having to pay hundreds of dollars a month just for electricity.

The report detailed the experience of one rural Ontarian who struggles with energy costs. She shuts off her water heater during the day, hangs her laundry to dry, avoids using the air conditioner, and only runs the dishwasher at night. Despite these energy saving measures, she runs electricity bills around \$300 a month.

While this is the experience of only one Ontarian, the report also noted that applications for the province's Low-Income Energy Assistance Program, which provides up to \$600 in emergency assistance to people struggling to pay their electricity bills, increased by 20 per cent between 2013 and 2014.

This report shines a light on how energy poverty is becoming a problem for many Ontarians. In a recent [study](#)², we found that in 2013, 7.5 per cent of Ontario households were in energy poverty—a situation where households spend at least 10 per cent of their household budgets on in-home energy use such as lights, appliances and heating.

But what drives the price increases that impact Ontario households?

One main cause is the province's approach to subsidizing renewable electricity (wind, solar, etc.) through the Green energy Act (GEA). A recent report from Ontario's auditor

¹ <http://globalnews.ca/news/2796958/rural-ontarians-left-in-the-dark-as-electricity-bills-skyrocket/?sf30031766=1>

² <https://www.fraserinstitute.org/studies/energy-costs-and-canadian-households-how-much-are-we-spending>

general (AG) illuminates how the government's heavy investment in renewables has affected the price of electricity. The AG's report found that:

- Consumers will pay \$9.2 billion more for renewables under the current 20-year Feed-In-Tariff contracts than under Ontario's previous program of competitive renewable procurement.
- Ontario's electricity costs exceed their export value, but exports are expanding rapidly. From 2009 to 2014, Ontario exported 95.1 million megawatt-hours (MWh) of power. It cost \$3.1 billion more to produce that power than Ontario wound up receiving in revenue for it.
- Ontario's guaranteed prices in 2014 are approximately double average U.S. costs for wind power, and three and a half times for solar power.
- Converting government-owned coal plants to biomass has been expensive, with the cost of power as high as \$1,600/MWh—25 times higher than the average cost at other biomass facilities in Ontario.

These are just some of the findings of the auditor general, but they give a sense of the negative consequences of Ontario's foray into renewable electricity.

In addition to the auditor general's report, a 2014 Fraser Institute [study](#)³ found that all wind and solar installed by the province only accounts for four per cent of Ontario's electricity—while amounting to 20 per cent of the average commodity cost. And a 2013 [study](#)⁴ concluded that the environmental benefits associated with renewables could have been achieved at one-tenth the cost had the province continued with its ongoing retrofits of coal plants.

Unfortunately, this all provides little recourse to the Ontario households who are forced to devote more and more of their budgets to their electricity bills.

³ <https://www.fraserinstitute.org/sites/default/files/what-goes-up-ontarios-soaring-electricity-prices-and-how-to-get-them-down.pdf>

⁴ <https://www.fraserinstitute.org/sites/default/files/environmental-and-economic-consequences-ontarios-green-energy-act.pdf>