Ontario household electricity prices to rise 52 per cent from 2017 to 2035

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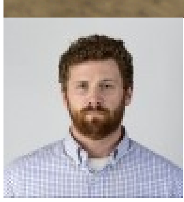

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Comment

The cost of electricity in Ontario for homes and businesses will keep on rising over the next 20 years — albeit not quite as high as once predicted — as the effects of the provincial Liberal government's plan to lower power bills kick in and then wear off.

The government released an update to its long-term energy plan Thursday, projecting the average monthly residential bill for electricity in Ontario will dip to $127 in 2017 from $158 in 2016, helped by savings from the Liberals' so-called "Fair Hydro Plan."

The projections also show, however, that the average power bill will ultimately rise from $127 this year to $193 by 2035, a 52 per cent increase.

"Certainly the measures brought forward in our Fair Hydro Plan have an effect, but it is well known that our government has taken major steps to remove costs from our electricity system, now and in the future," Ontario Energy Minister Glenn Thibeault told reporters Thursday in Toronto, according to a copy of his remarks.

Meanwhile, large industrial customers in southern Ontario will see the price per megawatt hour they pay for electricity increase from $83 this year to $116 by 2035, according to the projections. The government sees this as rising in line with inflation, but the cost still ends up nearly 40 per cent greater than that of today.

For industrial consumers in Northern Ontario, the price of power will rise from $63 per megawatt hour in 2017 to $96 by 2035, another 52 per cent jump, according to the long-term energy plan.

Industrial consumers have complained about pricey energy costs, with a recent Fraser Institute study finding that nearly 75,ooo of the manufacturing jobs lost by the province from 2008 to 2015 could be chalked up to the increased expense.

Electricity prices overall in Ontario are a contentious political issue, prompting the Liberal government's plan to reduce electricity costs by 25 per cent on average. The plan was rolled out in full this summer and will have a net cost of $21 billion over 29 years, according the province's financial accountability office. It includes an 8-per-cent rebate for customers enacted in January, in addition to a "refinancing" of some power costs that will see the government and Ontario Power Generation Inc. take on billions of dollars of debt.

Customers will ultimately pay back that debt via their power bills, which the new long-term energy plan takes into account. Premier Kathleen Wynne has said the Fair Hydro Plan would end up costing more, but ease the burden on today's electricity customers.

The Liberals and the province's auditor general have clashed over the financing structure of the Fair Hydro Plan, with the watchdog calling the government's proposed accounting "wrong." What's more, the next provincial election is set for June 2018, creating the possibility of a new party taking power and crafting its own energy plans.

"Clearly, the government is not interested in doing the heavy lifting to remove costs from the system," said Todd Smith, energy critic for the Progressive Conservatives.

But the government's latest price projections are still lower than those made in long-term energy plans in 2013 and 2010. The 2013 long-term energy plan had predicted the average monthly residential bill would be $170 this year, and the 2010 plan estimated $178.

The 2017 plan boasts that the current electricity price for industrial consumers in Ontario remains below the average price in the Great Lakes region. The lower projected prices also include the elimination of nearly $28 billion in costs, including the deferral of the construction of two new nuclear reactors and the suspension of the second round of the province's large renewable energy procurements.

The outlook also includes the benefits of expected changes that would inject more competition into the province's electricity market, where generators sell their power.

Part of the “market renewal,” as it is called, will usher in auctions that would see power producers bid for the rights to backstop the market, rather than just be awarded long-term contracts.

The long-term energy plan says market renewal will help shore up a shortfall in electricity capacity in the mid-2020s, when OPG’s Pickering nuclear power plant is anticipated to be shut down and reactors at two other nuclear power plants are overhauled. Savings of up to $5.2 billion between 2021 and 2030 are expected as well, the plan says, helping reduce prices.

The government says it has spent nearly $70 billion on the electricity system since 2003, with the money going to fix up the grid, improve reliability and provide more sources of renewable or lower-emission energy. Ontario has also shut down its coal-fired power plants, reducing the percentage of the province’s greenhouse gas emissions coming from the electricity sector to a predicted two per cent or so in 2017 from about 20 per cent in 2003, according to the long-term energy plan.

The new outlook also shows demand as relatively flat going forward, yet assumes there will be approximately 2.4 million electric vehicles in the province by 2035 (up from more than 10,000 today).

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