

Electric Rate Shock: Ontario Energy Board

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If you live in Ontario and care about your electricity bill, you should be concerned about what's new at the Ontario Energy Board.

The Green Energy Act moved the Ontario Energy Board further away from its once-clear mandate as a dedicated independent arbiter reconciling the interests of gas and electricity providers with the interests of consumers. The gold standard used to be rates that were just and reasonable. Instead, the Green Energy Act has pushed the OEB further towards being yet another puppet agency pushing prevailing government policy.

This legislative change, together with the government's appointments practices in recent years, have weakened the Board. Other than the Chair and the one part-time member, only one member of the OEB is currently appointed to a term that extends beyond seven months from now. The lack of tenure security gives the government undue influence over the Board, something we don't allow with our courts.

There is a pattern in many recent OEB decisions that raises questions about the current Board's independence.

The OEB has shifted cost responsibility for building the often costly wires to connect new generators from investors, who would normally be responsible for much more of the connection cost, to ratepayers.

A couple of weeks ago, the Board released a decision based on Green Energy Act thinking that marks a dramatic retreat from the tried and true legal and economic foundation of successful public utility regulation. Since the beginning of modern utilities, Canadian and American regulators and courts have developed a consensus that consumers should only pay for the costs of energy delivered to the consumer. Now, the Board invites utilities to propose charging consumers for the costs of assets under construction but not yet providing service.

Could these two decisions have been intended to spread Green Energy Act cost among more line items of your power bill, covering the cost tracks of the legislation?

About the time the deficit-addled McGuinty government started suggesting that it might privatize Hydro One, the Ontario Energy Board released a decision on the cost of capital, dramatically boosting your future electricity and gas rates and the profitability of utilities. Some of the justifications the Board offered are particularly strange. Pointed out that it has recently changed its historic approach to rate subsidies by endorsing the US practice of using power rate to provide social assistance to low income consumers, the Board reasoned that therefore the higher costs of capital accepted by US regulators ought to apply here too. Another justification was to average the recommendations of a

selection of the experts testifying in the consultation processes without weighting the recommendations to account for the fact that one out of the five experts cited was invited to testify by consumer organizations whereas utilities had invited the four others.

Could this decision have been influenced by the McGuinty's government's proposed privatization of Hydro One or a desire to bailout municipalities, who own most of Ontario's electricity distribution utilities, without adding to the provincial deficit?

Facing the combined effects of renewing aging infrastructure and imprudent policy adventures, Ontario electricity consumers face a bleak outlook. If we are to strike a more reasonable balance for consumers, Ontario must rebuild the legal foundation of our energy utilities, re-establishing regulatory independence from government fiat. Utility regulators need the protection of long and firm terms of appointment. We can green our energy system without trashing consumers, but to achieve that balance, utility regulation must focus on rates and service quality while environmental regulators focus on issues like emission controls and habitat protection.

The Green Energy Act is stuffing your power bill with hidden charges. The Act will blow over eventually, but it will leave a legacy of damage long after it is struck down.