

## Groups call for cap and trade's carbon price-tag to be included on natural gas bills

June 23, 2016

QP Briefing

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Should natural gas customers see exactly how much Ontario's cap-and-trade system will cost them?

For staff at the Ontario Energy Board, the provincial regulator of the natural gas sector, the answer is no. But for others – including the Ontario agency that manages the electricity system – it's a big yes.

The cap-and-trade plan will start up next year, and will require that big-emitting companies purchase carbon credits to carry on with business as usual. The Liberal government aims to use the carbon-pricing mechanism to drive down greenhouse gas pollution and raise money – approximately \$1.9 billion annually – for a dozens of climate change initiatives.

Natural gas distributors will be the largest emission-allowance customers under the cap-and-trade system, and the OEB is currently conducting a hearing that will assist in setting rates under the carbon-pricing plan. Approximately 76 per cent of Ontario homes are heated using natural gas, and the Liberal government is estimating that cap and trade will cost households an additional \$13 a month on their energy bills.

OEB staff published a discussion paper in May that proposes the "customer-related" costs of complying with cap and trade should be lumped in with the delivery charge on a bill.

"Under the Climate Change Act, natural gas distributors (both rate-regulated and nonrate regulated) will have the compliance obligations regarding their facility-related GHG emissions and the emissions of most of their customers," states the cover letter for the discussion paper. "As a result, the natural gas utilities will need to develop compliance plans to describe how they will meet their customer-related and facility-related compliance obligations."

The regulator's staff said they were "concerned that an additional line item on the bill could increase customer confusion and utility call-centre activity." Skipping the cap-and-trade line for customer costs "will ensure uniform bill presentment for all consumers, regardless of the utility," states the discussion paper.

But this proposal hasn't gone over well with some groups, which have made their opinions known as they comment on the discussion paper.

The Independent Electricity System Operator, which oversees Ontario's energy grid, said it "does not support Board Staff's recommendation that the customer-related GHG costs be included in the gas distributors' delivery charge." Instead, the IESO wants a separate line on gas bills for those costs.

"The only way that economic decisions can be made by Ontarians is if they are able to understand and quantify the cost of carbon," says the provincial agency. "Not identifying the cost of carbon on a customer bill may neutralize the main social benefit of pricing carbon into the economy."

The Canadian Manufacturers & Exporters, which represents more than 10,000 companies, likewise opposed burying the customer costs in the delivery charge.

"CME's members believe that, to the greatest extent possible, the costs associated with cap and trade obligations which are to be allocated to customers should be transparent on the bill," states the group's submission.

The Ontario Energy Association, whose members include Enbridge Gas Distribution Inc. and Union Gas Ltd., the two largest natural gas distributors in the province, is also pushing for more transparent billing.

"The intent of the cap and trade program is to modify people's behaviour and raise awareness of the government's actions to address climate change," states the OEA's submission. "It is therefore vital that costs charged to energy consumers be clearly visible as a separate bill line item and not simply included in the various other charges present on electricity and natural gas bills (e.g. in the regulatory or delivery charges)."

Environmental Defence, meanwhile, agrees with OEB staff that cap-and-trade-related costs should not appear separately on a gas bill, pointing out that there are benefits to the carbon-pricing plan as well.

"Customers would likely be misled if they are shown the costs associated with cap and trade without also being shown the bill reduction benefits flowing from the conservation component of the cap and trade costs," said the group's submission. "If the costs are broken out and specifically indicated, so should the resulting savings."

The OEB was taking comments on its discussion paper until June 22.

UPDATE: As was pointed out to QP Briefing, this issue was also raised in the legislature during the spring sitting by Progressive Conservative energy critic John Yakabuski. The Tory MPP called for a separate cap-and-trade line on gas bills.

"We know this plan will drive up the cost for ratepayers and make home heating and commercial heating in this province less affordable," said Yakabuski on June 2. "That the OEB and the government are trying to hide this from ratepayers is completely unacceptable given that Quebec and California, your cap-and-trade partners, allow separate cap-and-trade line items to appear on their bills."

"As minister, I have 100% confidence in the Ontario Energy Board to represent the interests of the consumers of this province," replied then-energy minister Bob Chiarelli. "I don't know what document he's referring to, but they go to every end of the earth to hear the public, to have delegations come in and, in the appropriate cases, to even reduce increases that have been asked for by LDCs and gas companies."

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