

Ontario homes won't see exact costs of cap and trade on natural gas bills

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QP Briefing

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Ontario homeowners will pay more on their heating bills because of the coming cap-and-trade system, but the province's natural gas regulator has decided the exact carbon price won't be shown.

The Ontario Energy Board has been consulting on how it should set natural gas rates that include the costs of cap and trade to distributors. The biggest fight in those consultations has been over bills, and whether there should be a separate line charge displaying the costs tied to cap and trade, which starts next year.

On Thursday afternoon, the OEB ruled that wouldn't be the case. After weeks of collecting comments from energy companies and environmental groups, the regulator said that "charges related to the recovery of Cap and Trade Program costs will be included in the Delivery charge on the bill."

It was a given that consumers would pay more for fossil fuels because of cap and trade, in order to curb their use. The OEB said Thursday that natural gas customers will be on the hook, via their rates, for the costs of consumption, delivery and administration. The acceptable costs and rates will be set at future hearings.

The regulator also ruled that the OEB, not the natural gas companies, will be the one to craft messages that will be sent to customers informing them about cap and trade.

But, by specifically highlighting the costs of carbon pricing, a separate line of text could have stirred taxpayer anger towards the Liberal government. Premier Kathleen Wynne and her ministers have touted the many programs the carbon-pricing plan will fund, while downplaying the costs to consumers.

For the natural gas companies, the separate line on the bill has become a line in the sand: they want their customers to see what they'll be paying. After all, they say, isn't cap and trade supposed to get people to change their habits? How can they change if they can't see the costs?

But the OEB ruled Thursday that the customer-related cap-and-trade costs should be buried in the delivery section of a bill.

"In the OEB's view, separating out Cap and Trade related costs as a line item on the

bill is inconsistent with the manner in which all other ongoing costs of operating the utility are reflected on the bill," said the OEB. "The public policy objective of the Cap and Trade Program is to reduce GHG emissions. For the vast majority of customers, a separate line item will not provide any form of meaningful price signal. In the OEB's view the most important driver of consumer behaviour is total price."

A spokesperson from the Ministry of Energy said they respected the role of the OEB, and that experts had confirmed the government's approach is an effective one.

"We have been open, transparent and upfront with Ontarians about our Climate Change Action Plan, including its costs and benefits," added the spokesperson.

The Progressive Conservatives blamed the Wynne government for increasing costs but not transparency. The PCs are also unhappy with reports that HST will be applied to the extra cap-and-trade charges.

On Thursday, Ontario Energy Association president Vince Brescia said he was "disappointed" by the OEB's decision. The OEA counts Enbridge and Union among its members.

"If the government wants to foster behavioural change, consumers must be able to see the cost of their emissions so they can adjust their behaviour accordingly," said Brescia. "A separate line item on the bill is common practice and is done in other provinces such as Quebec and British Columbia. Incorporating the cost of carbon with other costs is not consistent with the government's stated intention to modify consumer behaviour."

In a discussion paper released in May, OEB staff proposed to include "customer-related" cap-and-trade costs to natural gas consumers should be lumped in with the delivery charge on bills. The staffers said they were "concerned that an additional line item on the bill could increase customer confusion and utility call centre activity."

Several other industry groups, the opposition parties and even the public agency managing Ontario's electricity system, disagreed with including the cap-and-trade costs in the delivery charge.

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

Union Gas, which has more than 1.4 million customers, said a separate line charge would be "consistent with the purpose of the cap-and-trade program which is to affect

behavioral changes of consumers, and further supports the government's and Board's objectives of transparency and energy literacy."

However, Environmental Defence argued it would be unfair to have a separate cap-and-trade charge without showing the benefits of the carbon-pricing plan.

"If the costs are broken out and specifically indicated, so should the resulting savings," said the group.