

THE WINDSOR STAR

Foreign buyers get cut rate Ontario power

BY DAVE HALL, THE WINDSOR STAR JULY 31, 2012



Windsor Star business columnist Dave Hall.

Photograph by: Star Staff, The Windsor Star

Recalculating how much out-of province electricity consumers pay for their energy could save Ontario consumers as much as \$400 million a year, according to a report published by the Council for Clean and Reliable Electricity.

According to the study, the so-called global adjustment payments mean that Ontario residents end up paying more for their electricity than purchasers from outside the province, who are not subject to those fees.

And that's amounted to \$1.2 billion over the past three years.

"We're not the first to recognize this inequity and we won't be the last," said Greg Baden of BECL and Associates and one of the report's authors. "It's a consumer issue that is gaining some traction."

According to Baden, the price paid to private electricity generators is generally higher than the market price, set hourly by the Independent Electricity System Operator, and because the market price doesn't raise enough money to cover the contract prices, Ontario consumers pay the global adjustment to make up that difference.

"They were essentially given a revenue guarantee and the global adjustment paid by Ontario consumers makes up any shortfall," said Baden.

But Terry Young, a spokesman for the IESO, said the adjustment fee has a U.S. equivalent which is charged when the province imports electricity.

"Essentially, we treat exported power in the same way that imported power is treated," said Young. "Of course, we wouldn't be having this discussion five or 10 years ago when this province struggled to generate enough power for its own needs.

"Today, we generate enough that we occasionally have a surplus and that's sold off to pay for the cost of generating it."

The global adjustment fees have been in place for the past seven or eight years and were designed to stimulate private investment in electricity generation. Under the current system, the global adjustment fee is charged monthly and it's no longer a small amount.

According to the report, the market price for energy so far this year has been 2.06 cents per kilowatt hour while the adjustment fee has been 5.34 cents per kilowatt hour.

Baden and co-author Lucia Tomson argue that rather than being calculated monthly, the global adjustment should be calculated hourly and simply added to the market price paid by all consumers whether they're located inside or outside the province.