

Ontario consumers pay millions to subsidize electricity exports

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Ontario consumers have subsidized out-of-province electricity buyers to the tune of \$1.2 billion over the past three years, says a newly released report.

That's about \$2.50 a month on a typical household hydro bill.

It's time everyone paid the true cost of Ontario's power, argue Greg Baden and Lucia Tomson in the [paper](#) published by the Council for Clean and Reliable Electricity.

Baden and Tomson are with the energy consulting firm BECL and Associates Ltd.

The two argue that it's time for export customers to start paying the "global adjustment," a fee that is an increasingly large factor in Ontario electricity bills.

The issue has also been flagged by Ontario's auditor-general.

The global adjustment is charged on top of the market price for electricity in Ontario. But it's charged only inside the province, not on power exported to neighbouring states and provinces.

It is imposed to make up the difference between the market price, and the usually higher price paid to electricity generators that have separate contracts with the Ontario Power Authority

Close to 80 per cent of the power generated in the province is covered by non-market contracts.

The price paid to private generators is almost always higher than the market price. Because the low market price doesn't bring in enough money to cover the contract prices, Ontario customers are charged an extra fee – the "global adjustment" or GA – to make up the difference.

It's calculated monthly, and is charged only to Ontario customers – not to out of province customers.

It used to be a trivial amount.

But with the burgeoning of power contracts in Ontario, the global adjustment has grown by leaps and bounds. It's now a far bigger component of the typical hydro bill than the market price.

How much bigger? The average market price for energy so far this year has been 2.06 cents a kilowatt hour; the global adjustment has been 5.34 cents a kilowatt hour.

The export subsidy is a small slice of the global adjustment – just over 0.3 cents a kilowatt hour (kwh). Still, it adds up: On a typical monthly bill of 800 kwh, it works out to about \$2.50.

The growth in power contracts has depressed market prices, Baden and Tomson note. Generators with contracts still bid into the market. But they can afford to enter very low bids, because they're guaranteed to receive their contract price. The lower the price they bid, the higher the volume they'll be able to sell.

The low market prices are good news for export customers, who pay even less for Ontario power.

But Ontario customers, who are stuck with paying the global adjustment, don't benefit. They pay a much higher price, and effectively subsidize the lower export price.



Ontario consumers have subsidized out-of-province electricity buyers to the tune of \$1.2 billion over the past three years, says a newly released report. Rene Johnston/Toronto Star

“There is no reason that the GA should not be added to the cost of electricity being exported, because exporters have an impact on the GA charged Ontario customers,” Baden and Tomson write.

Exporters bid into the hourly Ontario electricity market, they argue, and that has a direct influence on the global adjustment.

But the global adjustment isn't included in the hourly market price. Instead, it's calculated monthly – and kept off the bills of customers outside the province.

The solution, they argue, is to calculate the global adjustment hourly, and include it in the market price paid by all customers, whether inside or outside the province.

Having a single hourly price will “lead to more effective consumer responses to hourly changes in market prices and, in the longer term, lead to lower over-all electricity prices,” they say.

At the same time, combining the hourly market price with the global adjustment “will ensure exporters pay the same price as Ontario consumers.”

Exports are an increasingly sensitive topic in Ontario. In the spring and fall, when demand is low, Ontario often has surplus power – so much so that some large industrial customers inside the province, and export customers outside occasionally get paid to use the power.

It's a situation that's likely to persist until about 2016, when the reactors at the Darlington nuclear station are due to start a multi-year overhaul.