

SUBMISSION

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CFIB Submission on Ontario Energy Board Staff Research Paper: Examination of Alternative Price Designs for the Recovery of Global Adjustment Costs from Class B Consumers in Ontario

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Introduction

On behalf of our 42,000 small- and medium-sized business members across Ontario, we welcome the opportunity to comment on the Ontario Energy Board (OEB) staff research paper: Examination of Alternative Price Designs for the Recovery of Global Adjustment Costs from Class B Consumers in Ontario (“the Paper”)

Electricity and fuel costs remain a top concern and constraint for Ontario’s small business owners. Competitive electricity rates are a key component of small business success in a global economy.

We are extremely pleased that the OEB is looking into alternative pricing structures for electricity; however, we are concerned that the Paper’s studied pricing structures’ benefits (namely, lower consumer bills) are generally contingent on behavioural shifts around the timing of electricity use - something small businesses are almost universally unable to do.

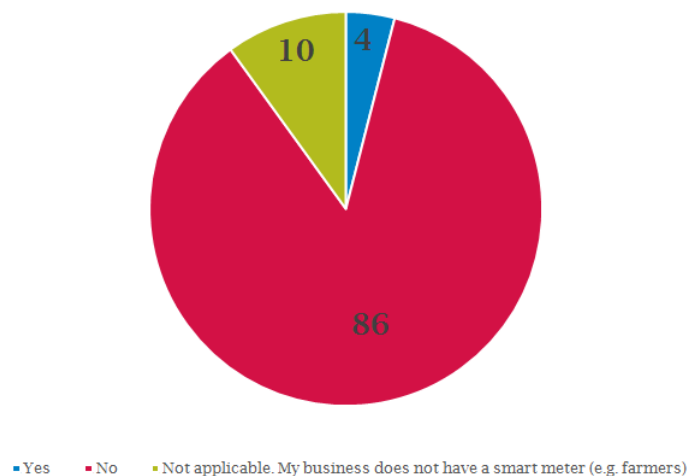
Pricing Structure

Any long-term solution to Ontario small business owners’ electricity woes *must* include a change to the way electricity bills are calculated in this province. **The time-of-use experiment has failed.**

While some Ontarians might be able to shift their electricity usage to off-peak times, business hours are based on customer demand. We have said it time and time again: a pizza shop cannot dictate the lunch rush.

When we surveyed small business owners, **only four per cent** indicated that they were able to shift their time-of-use to take advantage of mid-peak or off-peak hours (Figure 1).

Figure 1. Has your business been able to change its electricity consumption from on-peak to either mid-peak or off-peak hours throughout the entire year to manage electricity costs? (Select one answer only)



Source: Ontario 2017 Pre-Budget Survey. Jan. 9-16, 2017. Based on 2,965 responses.

Businesses shouldn't be penalized just for being open. We have strongly urged the government – and continue to do so – to reconsider the electricity pricing structure for small business (Class B) consumers to better reflect the realities of running a small business in Ontario.

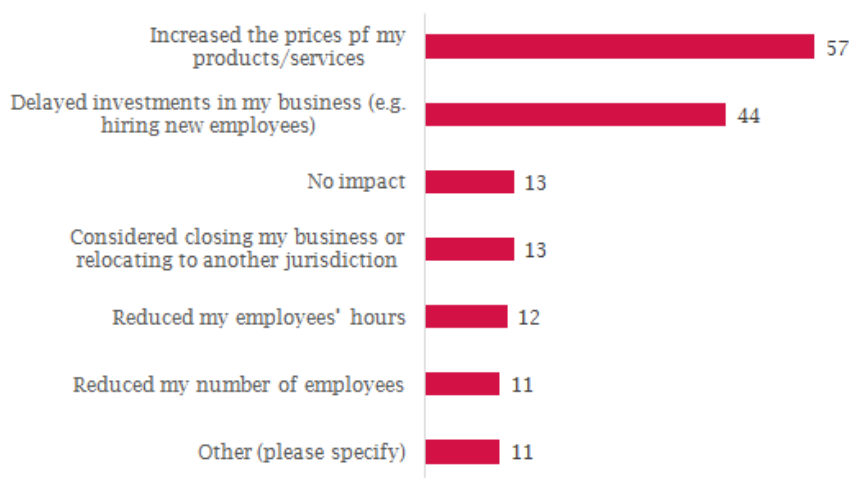
We have recommended the elimination of time-of-use rates for small businesses and the implementation of a tiered-rate system where the first 3,000 kWh are billed at a lower rate.

While the Paper notes that a flat rate would provide very modest consumer benefits, it is also the option that is the least contingent on a change in time-based consumption behaviour to experience a benefit. We would further encourage the OEB to look at a tiered option in more detail.

Instituting a more flexible pricing structure around *how much* electricity a small business uses as opposed to *when* a small business uses it will not only help businesses to manage costs, but will also help them to mitigate the negative economic and consumer impacts (Figure 2).

We strongly encourage the OEB to look closer at how the rate structure impacts the small business sector and the attitudes within that sector.

Figure 2. How have electricity costs affected your business during the past three years? (Select as many as apply)



Source: Ontario 2017 Pre-Budget Survey. Jan. 9-16, 2017. Based on 2,965 responses.

While the news the government is holding residential rates to inflation in the *Fixing the Hydro Mess Act* is positive, we would appreciate some clarity around how this will impact other Class B consumers (most small businesses).

It has been our understanding that there is nothing that distinguishes a commercial Class B consumer from a residential one, which led to small businesses and farms being included under the Fair Hydro Plan in the first place. We would appreciate some clarity on how the government intends to limit the inflationary hold on electricity bills strictly to residents, and if there will be a separation between residential and commercial Class B consumers as a result.

Should the government be keen on formally separating residential and small business customers within Class B, we would highly recommend the OEB look

at implementing an alternative rate structure for those small business consumers as soon as possible.