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December 2002

### Introduction

Until the early 1990s, CFIB had the luxury of ignoring Hydro as an issue, as 'power at cost' had served small- and medium-size enterprises (SMEs) reasonably well and other issues tended to predominate. Attention-getting electricity rate increases over 1991-1993 put Hydro on to our member surveys and CFIB before the Ontario Energy Board regulator in the matter of 1995 rates.

In 1996, 69 per cent of CFIB member respondents voted in favour of the Ontario government ending Ontario Hydro's monopoly control over electricity generation and transmission, and introducing competition among power generators. As free competitive enterprisers, a majority of SMEs were convinced that the monopoly organization that had built up billions in debt required fixing.

CFIB has worked with a stakeholder coalition during consideration of the government's 'White Paper' and Bill 35 legislation, through market opening on May 1, 2002 to the present.

As an advisor on the Minister's Electricity Transition Advisory Committee, we have always emphasized that small firms support electricity industry restructuring on condition they see the expected benefits of market competition: more choice and lower prices.

Our 2002 mid-summer member survey on the impact of the competitive market proved to be premature, as impacts were unknown at that point.

Prior to Premier Eves' announcement of electricity rate relief on November 11, 2002, our Member Services Counsellors were fielding telephone calls and e-mail contacts from members in distress.

The present survey was forwarded by e-mail on October 22, and preliminary tabulations were in hand on October 31. Final tabulations of some 2,500 responses were delivered on November 8, together with volumes of comments.

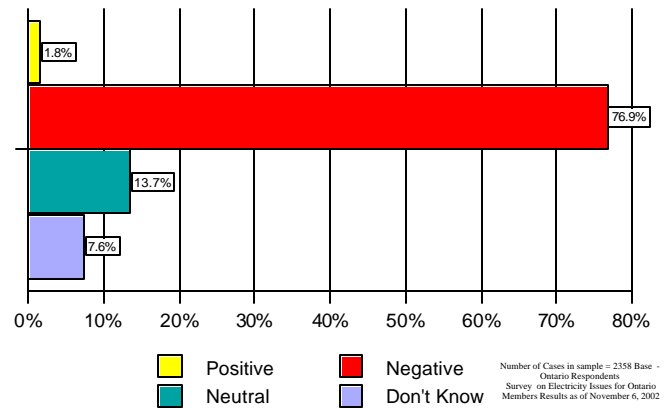
The general import of these survey data and accompanying commentaries was shared with policy-makers prior to the announced freeze at 4.3 cents per KW hour, effective via rebates to May 1.

The Ontario government's electricity action plan has overtaken this research insofar as electricity pricing for SMEs in the short term (i.e. those falling within the 'small consumer' definition).

This study does provide valuable additional information from the standpoint of small businesses, which is pertinent to Ontario's plans for the future.

### Impact of Open Market on SMEs in Terms of Price

**Q. 1(A)** Since the Ontario electricity market opened for competition on May 1, 2002, what has been the impact on your business in terms of price? (Select One)

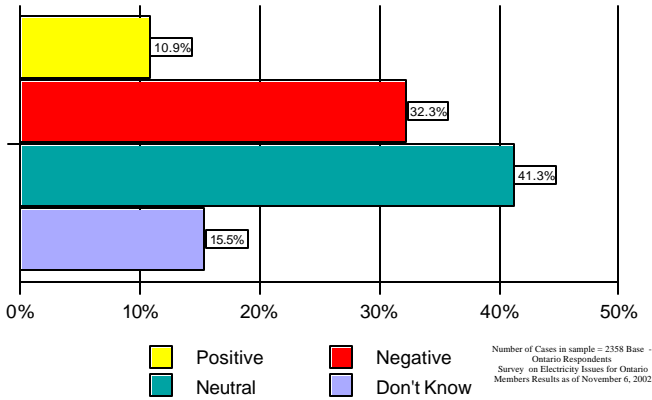


The period from May 1, 2002 electricity market opening to October 2002 started well with lower stable prices in the early tracking. However, Ontario's long, hot summer, plus problems with nuclear generation plants, resulted in a supply shortage. The ensuing price volatility showed up on invoices received by electricity customers in September-October, resulting in three-quarters of CFIB members rating the impact of the open market as negative in terms of price.

With the current hydro costs and rising costs this will be my last new business in Ontario until I see the hydro rates stabilize and return to a more reasonable level.  
*A hardware retail store in London, Ontario*

After wages, hydro is our largest expense every month; the changes in pricing have devastated our bottom line since May 1/02.  
*A foundry in London, Ontario*

**Q. 1(B)** Since the Ontario electricity market opened for competition on May 1, 2002, what has been the impact on your business in terms of choice? (Select One)



Our survey found that competition and choice available had materialized for about one in ten SMEs to October 2002. About two-fifths of respondents were neutral on this point.

One-third reported a negative impact in terms of choice—which was clarified in the comments to be attributable, at least in part, to dissatisfaction with the aggressive tactics of retailers they had encountered.

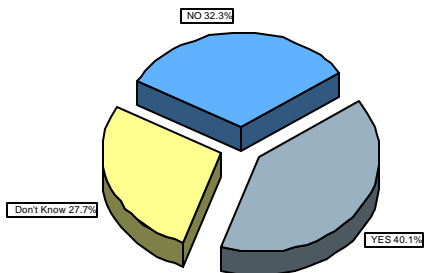
CFIB had hoped that creative retailers would seize the opportunity to grow the small business segment of their businesses by constructing packages of 'electricity commodity plus consulting advice' suitable for the small firms that make up about half of the economy. This generally did not happen.

This situation has caused us to spend more time analysing alternatives for hydro instead of spending time managing our business. I monitor the cost on a weekly basis and have found the unpredictability to be a large concern.

*A foodservice business in Kitchener, Ontario*

### Unbundled Bill

**Q. 4(A)** Have you encountered any new or significantly enlarged fees associated with the new electricity system (other than the debt reduction charge)? (Select One)



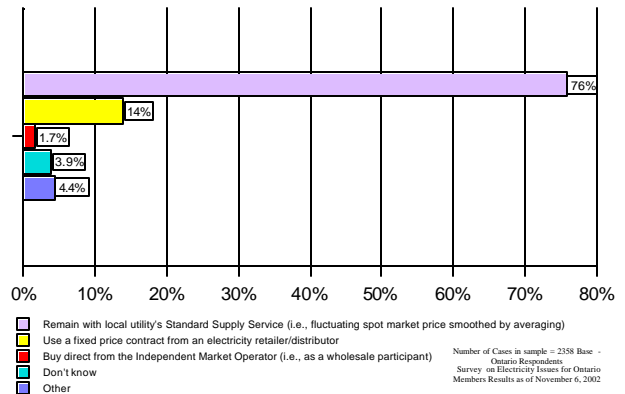
Two-fifths of member respondents reported having encountered new or significantly enlarged fees associated with the new electricity system—this apart from the debt reduction charge. This latter is viewed by SMEs as a substantial irritation, notwithstanding that CFIB members

are generally keen on arresting and reversing government and agency runaway debts.

There is something very wrong when the actual electricity cost is 1/3 of the total bill, due to the very high associated fees.  
*A candle manufacturer in Eastern Ontario*

### The Mechanics of SME Electricity Purchases

**Q. 2** How do you purchase electricity for your business? (Select One)



Three-quarters of CFIB members have remained with their local utility's standard supply service. The comments suggest that this finding of most small businesses sticking with their local electricity distributor may be due to several factors:

- 1) Lack of effort by electricity suppliers to target the business market with tailored programs and information,
- 2) Uncertainty about price fluctuations, and
- 3) Lack of confidence in retailers who pressed long-term price contracts with no historical data on which to rely.

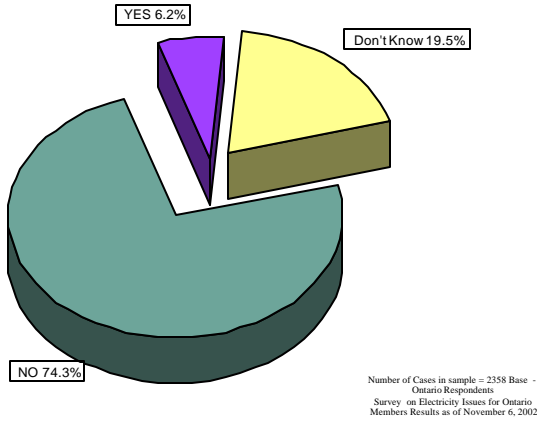
These concerns appear to have been well-founded as over 70 % of members who signed a fixed price contract also reported a negative price impact on their businesses.

As would be expected, a very small percentage of Ontario's independents are sufficiently large to be players on the wholesale market.

I don't trust other distributors and have stayed with our local PUC services. I had a bad experience with Direct Energy natural gas and will not try another retailer again.

*A Computer Service firm in Sault Ste. Marie*

**Q. 3** Does your business use an interval meter to achieve time-of-use savings?  
(Select One)



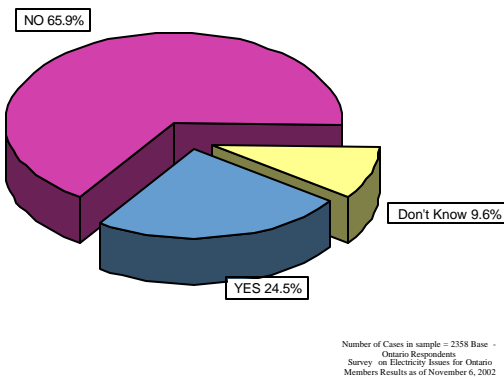
This is all about maximizing their ability to reach higher and higher peaks - for higher and higher rates. If we had some sort of meter that could measure hourly usage - I would eagerly manipulate my usage to achieve savings.  
*A real estate firm in Campbellford, Ontario*

Three-quarters of CFIB members say they do not use an interval meter and interestingly, one-fifth are unsure. This suggests the absence of small business-specific marketing of the energy management opportunities associated with interval metering. It may also be true that the outlay for the meter is, at the present time, disproportionate relative to possible savings.

I have been trying to put interval metering since last winter—I can't get Hydro One to cooperate nor can I get a contractor to do the necessary job—they're all too busy.  
*A specialty farm in Newmarket, Ontario*

**Information for Decision-Making**

**Q. 5** Do you have sufficient information to make sensible electricity decisions for your business?  
(Select One)

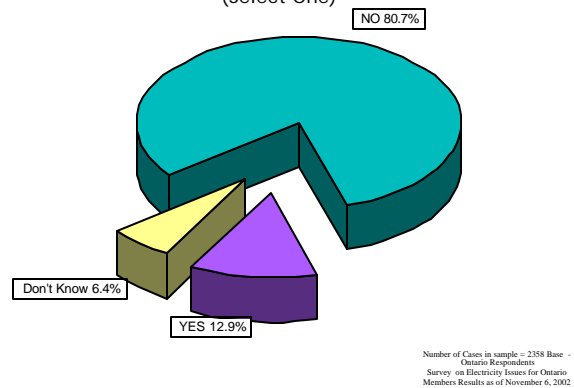


Small business owner-managers are concerned by electricity commodity price fluctuations and shocked and confused by formerly hidden charges now visible their unbundled bills. People suspect that several new charges have been slipped in by the several new players on the scene. It is not surprising, then, that two-thirds of CFIB member respondents say that they do not have sufficient information to make sensible electricity decisions for their businesses.

There are too many players, and not enough information. What good is so much choice if you really can't get the answers to questions?  
*A health service institute in Trenton, Ontario*

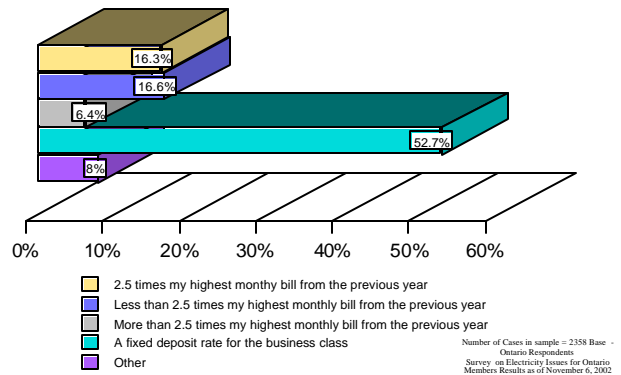
**Electricity Distributors' Security Deposits**

**Q. 6** Has your supplier requested a security deposit on your business electricity account?  
(Select One)



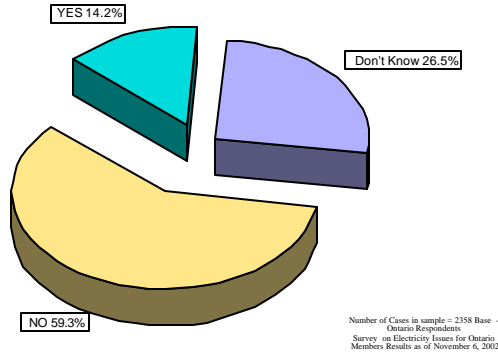
Four-fifths of members state that their supplier has not asked for a deposit. This is clearly a temporary circumstance, pending the announced review of the Ontario Energy Board regulator and the work of its Consumer Security Deposit Policy Working Group. Some municipal distribution companies have pursued deposits more intently than others, this based on local decisions.

**Q. 7** If yes, what was the amount of that deposit?  
(Select One)



Just over half of those paying deposits indicate that the amount is a fixed deposit rate for the class. Nearly one quarter of those from whom deposits are required are paying 2.5 times or more their highest monthly bill from the previous year.

**Q. 8(A)** Is the electricity security deposit geared to your firm's credit-worthiness (e.g., years in business, payment history, etc.)? (Select One)

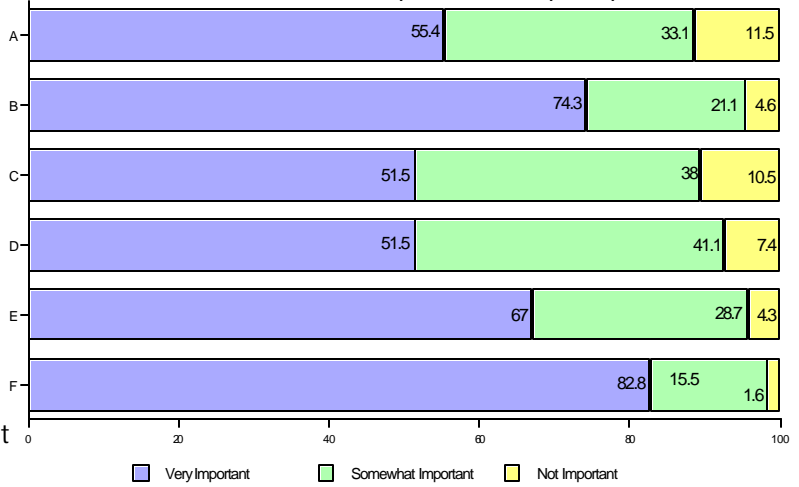


About three-fifths of the firms paying deposits indicate that the amount is not geared to their firm's credit-worthiness. Many do not know the basis upon which the deposit requirement is calculated. A modest 14 per cent feel that the deposit requested has been fairly based on their firms' years in business and payment history, etc.

After being a customer of Oakville Hydro for 16 years with a perfect credit record when we recently moved our location within Oakville we were asked to pay a \$4000.00 deposit. Our rates have also increased dramatically.  
*A wholesale food company in Oakville, Ontario*

disconnection, payment options, and retention of the deposit. CFIB members in Quebec have benefited from such a protocol, supported by custom computer software to ensure its even-handed application.

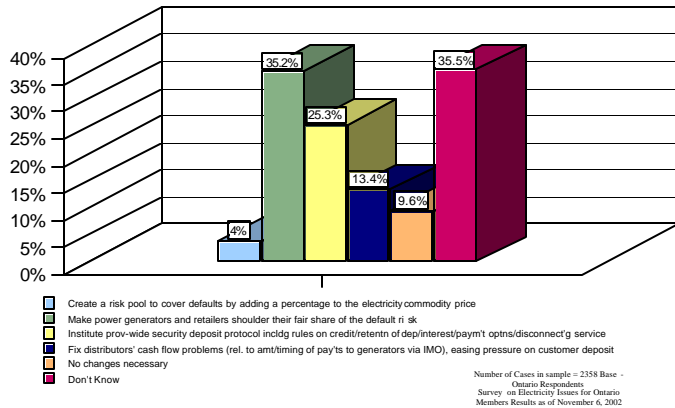
**Q10** How important are each of the following measures to ensure that the electricity market will offer secure, reliable power at the lowest possible prices?



- A - Government must direct sales of generation assets at fair value, to reduce Ontario Power Generation's dominant market share.
  - B - Eliminate stranded debt left over by the former Ontario Hydro as quickly as possible by applying every dollar of generation asset sales directly to the debt.
  - C - Reject OPG's efforts to be relieved of paying customer rebates linked to their dominant position in generation.
  - D - Ensure that the Independent Market Operator refrains from intervening in the marketplace and maintains its independence (in its roles of electricity dispatch and financial settlement).
  - E - Revamp the Ontario Energy Board regulatory process to improve access to Ontarians.
  - F - Guide decisions at Hydro One to best serve the transmission/distribution needs of consumers.
- Number of Cases in sample = 2358 Base - Ontario Respondents  
Survey on Electricity Issues for Ontario Members Results as of November 6, 2002.

CFIB members offered their views on what to do in the longer term in order to ensure that the electricity market offers secure, reliable power at the lowest possible prices. All of the choices were assigned strong importance by our members. Top of the list is ensuring that decisions at Hydro One best serve the transmission/distribution needs of consumers. Second, our members favour eliminating stranded debt by applying every dollar of generation asset sales to reducing that debt. Third in importance is revamping the Ontario Energy Board regulatory process to improve access to Ontarians. Fourth, is the Ontario government directing the sale of Ontario Power Generation assets at fair value, in order to reduce OPG's currently dominant market share. Rejecting OPG's request to be relieved of the obligation to pay customer rebates under the arrangement to mitigate its market power and ensuring that the Independent Market Operator remains neutral as between buyers and sellers were both supported as important.

**Q. 9** Which of the following solutions for dealing with onerous security deposits do you favour? (Select as many as apply)



As for solutions for dealing with onerous security deposits, small businesses are confounded. Over one-third admit they 'don't know.' The leading solution advanced by about one-third of smaller firms is to make other players—power generators and retailers—shoulder their fair share of the business risk. The second most popular solution, supported by one-quarter of respondents, is for the authorities to institute a province-wide security deposit protocol, including rules on credit-worthiness factors, interest,

**Other ideas were noted.**

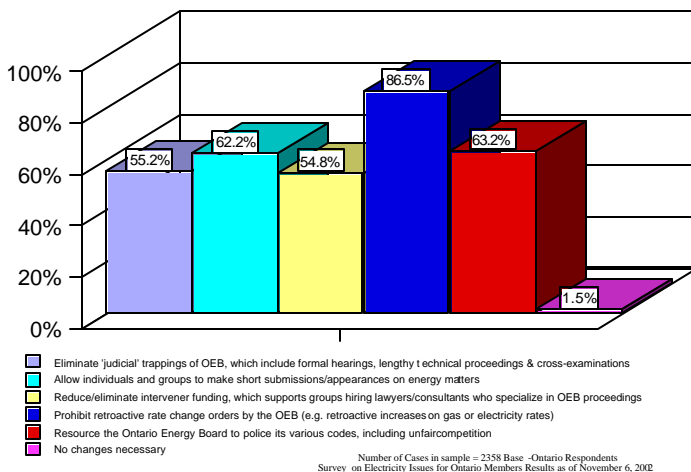
Residential rates should be subsidised up to and including an amount determined to be “basic necessity consumption”, i.e. consumption of energy related to basic household maintenance. This exemption should be recoupable from the corporate consumers who insist on leaving their neon signs, central air, and office lights on 24 hours a day, especially during periods of high energy demand ... there is far too much excessive consumption and waste of this resource and there may even need to be curfew regulation imposed on energy consumption by shopping malls, corporate buildings, etc. *A music retailer in London, Ontario*

A sophisticated instrument like an energy future is OK for large consumers, in large municipal utilities (not small ones) and heavy industry. It is not a suitable instrument for householders, small local utilities, small industry, etc. Purchase and distribution of power is a natural monopoly, and the structure and regulation of the industry needs to recognise that it is a monopoly. *A mining service firm in Sudbury, Ontario*

We have been underpaying for electricity for years (hence the huge debt). We should accept that we will have to pay the going rate for electricity. Also it is important that the market be opened to independent generators (cogeneration, wind, small hydro, etc.), and all barriers removed. This will help ensure security of supply and cleaner energy sources. *An architectural engineer in Kitchener, Ontario*

GST on debt repayment is absurd. *An investment firm in Brockville, Ontario*

**Q. 11** Which of the following changes do you favour for the Ontario Energy Board? (Select as many as apply)



The Ontario Energy Board's role as regulator of the natural gas and electric utilities sectors, includes its broad licensing powers, plus implementation of codes of conduct and

complaints resolution processes. Most of what the OEB does is reserved to the experts whose careers are intertwined with the processes of this quasi-judicial body. Consumer groups, including those representing business, participate only with the assistance of intervener funding, which is charged back in energy rates.

About half of CFIB member respondents favour measures to improve access of ordinary Ontarians to the OEB —shorter, less technical, lower cost proceedings accompanied by a reduction in the funding that supports the experts. Three-fifth of respondents believe that individuals and groups should be permitted to make short submissions and appearances on energy matters. As practical business people, SMEs are less interested in the mechanics of the process than they are in the results. Our survey received very strong support for prohibiting retroactive rate change orders, as these cause untold difficulty from a practical pricing and financial standpoint. Members also indicated reasonably strong support for the OEB being properly resourced to police its various codes of conduct, including unfair competition.

**Conclusions**

Electricity is an important bottom-line cost item for most small- and medium-size businesses. As such, the Ontario government's short-term rate relief is both warranted and welcomed by these firms who represent nearly half of the economy and more than half of Ontario's employment. CFIB will be investigating further to ensure that the definition of 'small consumer' does the job in meting the necessary relief appropriately to our sector.

We urge the Ontario government to address the long-term goal of ensuring that Ontario has a sufficient supply of electricity, at reasonable prices. The recent experience of consumers shouldering all of the costs and none of the benefits of the competitive market was an unhappy one.