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Columnists Dr. Landlord

# Opinion: The great Ontario electricity rebate con

By Chris Seepe - Apr 27, 2021 6

You may not be aware yet but I believe you're in for a shocking (pun intended) surprise. Residential landlords in particular, but small businesses and consumers in general, have been hammered ... again ... by the Ontario provincial government.

STORY CONTINUES BELOW

I probably wouldn't have paid close attention to my electricity bills, except that I installed separate electricity meters ("suite meters") on Oct. 1, 2020 for each rental unit in a 25-unit property I own in Brantford, Ont.

Twelve of 25 tenants immediately began paying their own electricity (pre-arranged through my lease) so I was expecting to see a decrease in my electricity bill. I also expected an even higher decrease because of the highly publicized and much-vaunted provincial government electricity "rebate." However, when I reviewed my financial statements and compared year over year, my

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total bill had increased. WTF! (meaning why the failure, or perhaps waste treatment facility – both apply equally).

Brantford Power installed a new billing system about a year or so earlier and the bills had been sporadic; for example, I received no bill for three months and then received three bills in one month. I thought they had messed up badly so I launched into a multi-day analysis to find Brantford Power’s error(s). Just “parsing” the electricity bill into my trusty all-knowing, secrets-revealing spreadsheet took more than eight hours.

My analysis revealed four compelling details.

### The convincer:

The first was the anticipated but then quantified decrease in consumption. The suite metering reduced electricity consumption from 113,241 kilowatt-hour (kWh) consumed in the 2019 period to 84,356 kWh for the same period in 2020. This represented a 25.5-per-cent decrease! To quote Kermit the Frog, “Yaaayyy! (arms waving enthusiastically).” This is all the more impressive to me because 2020 was the year of the work-from-home phenomenon, which disproportionately drove up home electricity consumption in residential properties everywhere.

Although I started out knowing the electricity bill was higher, the second detail was that my electricity bill had increased by 9.3 per cent, despite the precipitous drop in consumption and the average 30-per-cent provincial rebate.

The third compelling detail is that my electricity time-of-use (TOU) rates jumped with virtually no media coverage from 6.5, 9.4 and 13.4 cents kWh for off-peak, mid-peak and on-peak use in September 2019 to 10.1, 14.4 and 20.8 cents respectively in October, a month later. That was a 55.4-per-cent increase overnight. It was further increased on November 1, 2020 to 10.5, 15.0 and 21.7 cents (the highest ever on-peak rate) respectively (more on this shortly).

### The setup:

Here’s the chronology: The rebate began when the Wynne government passed the Ontario Rebate for Electricity Consumers Act, 2016. Consumers received an eight-per-cent electricity rebate. The rebate was the total pre-tax credit that appeared at the bottom of most electricity bills. It was intended to end in 2021.

- July 1, 2017: Ontario Fair Hydro Plan Act lowered electricity prices for consumers
- May 1, 2018 and May 1, 2019: rates increased at the rate of inflation
- June 7, 2018: Ford government won a majority over Wynne

### The payoff:

- Sept./Oct. 2019: Rates increased 55.4 per cent (see above)

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- Nov. 1, 2019: Ford government introduced Ontario Electricity Rebate (OER) to hide the 55-per-cent increase set a few weeks earlier. A 31.8-per-cent reduction applied to the pre-HST amount for eligible residential uses, farms and many small businesses. Excluded types of multi-unit buildings included hospitals, universities, trailer parks and hotels.

## The “hurrah”:

- March 24, 2020: With great fanfare and media coverage, the government provided temporary electricity rate relief for consumers paying time-of-use prices (in response to COVID-19) with a flat rate of 10.1 cents/kWh.
- June 1, 2020 (two months later): government quietly increased flat rate to 12.8 cents/kWh
- Nov. 1, 2020 (four months later): government set rebate at 33.2 per cent, on the same day it re-introduced the dramatically increased TOU rates mentioned earlier – 10.5, 15.0 and 21.7 (the highest ever on-peak rate) cents/kWh, representing a 3.8 per cent, four per cent and 4.2 per cent respective TOU rate increase over November 2019
- Jan. 1, 2021 (two months later): flat rate reintroduced at 8.5 cents/kWh, rebate dropped to 21.2 per cent (36-per-cent decrease)
- Feb. 1, 2021 (one month later): TOU rates re-introduced – 8.5, 11.9 and 17.6 cents/kWh

Nov. 1, 2021 is highlighted because this particular announcement was mysteriously absent from the Ontario Energy Board’s historical [electricity rates webpage](#). However, the Ontario government [website](#) stated, “Starting January 1, 2021, the OER will provide eligible consumers with a 21.2-per-cent rebate from the province on the subtotal of their electricity bill. *This means the average residential bill will not go up compared to November 2020.*” (Emphasis added by me.)

My fourth detail reinforced my perspective of the “con” of this rebate. Throughout the whole analysis period, my off-peak electricity consumption was consistently between 61 per cent and 65 per cent of total kWh consumed in each billing period. If you multiply the kWh consumption by the “lower” off-peak rate, the actual dollar amount is very close to the same value as the near- and on-peak dollar amounts. In other words, whether you adopt a TOU or a flat rate won’t make much financial difference to you or the electricity generation and delivery industry.

Where’s the money coming from to pay for this rebate?

In 2019, Ontario had the largest sub-national debt in the world. Ontario’s debt in 2018 was higher than that of Austria, Switzerland, Russia, Sweden, Israel, Norway and 166 other countries. It was ranked No. 20 in the world out of 186 countries ranked.

Ontario’s net public debt in 1985 was \$28.9 billion, \$38.4 billion in 1990, \$101.9 billion in 1995 and \$287.3 billion in 2014 under Wynne (and representing 40-per-cent net debt to Ontario’s entire GDP). The Ontario Financing Authority says Ontario’s net debt for 2019 is \$353.3 billion and projects it will increase to \$398 billion for 2020, representing 47.1-per-cent debt-to-GDP – almost half of Ontario’s total gross domestic product.



Interest on the 2019 debt was \$12.5 billion. That's eight per cent of Ontario's revenue and its fourth-largest spending area.

Ontario was formed in 1867 but 87 per cent of its net public debt was accumulated since 1990, which increased 10.4 times (1,000 per cent) in just 30 years.

## Summary of analysis:

I experienced a 25.5-per-cent decrease in electricity consumption by installing suite meters but still paid 9.3 per cent more than the previous period.

The Wynne (or "loss," depending on your perspective) government introduced the eight-per-cent electricity rebate. The Ford (or perhaps unaffORDable) rebate is a shell game draped in smoke and mirrors.

- The provincial government increased rates by 55.4 per cent and masked it with a 31.8-per-cent rebate in November 2019
- The government increased the rates again by an average four per cent while masking the combined 60-per-cent increase over the past year with a 33.2-per-cent increase in November 2020
- The government quietly reduced the rebate to 21.2 per cent (36 per cent) two months later
- The rebate is a legislatively temporary political ploy. Rates are fiscally permanent.
- I predict Ontario's electricity rates will increase a minimum of 50 per cent and possibly as much as 70 per cent within five years.

## Epilogue:

The rebate is not free, it can't last and it has not met its purpose of saving money for Ontarians. The government is "stealing from Peter to pay Paul."

Why have Ontario politicians engaged in this political game of smoke and mirrors? I suggest it's to distract voting citizens, especially tenants, from asking the really hard question(s). Why is our electricity so expensive now when Ontario enjoyed some of the lowest cost electricity in the 1960s, making it the envy of most countries of the world? Who owns most of the electricity generation and distribution companies? What are the staff salaries? How "fat" are these companies? How well-managed are they? Where are the energy storage and alternative energy generation solutions? Why has "net metering" not been heavily promoted?

I would like to invest in an energy generation solution for my properties so that I become the main provider of electricity to my tenants (essentially a licensed substation) while the "grid" becomes my automated backup provider.

Combine these out-of-control energy cost increases with the Canadian insurance companies who adopted a brutal war-profiteering strategy in 2020 that targeted real estate investment



property owners, [which I wrote about recently](#).

Add in three eviction bans in just one year and the zero rent increase guideline for 2021. I estimate the zero increase will cost residential landlords \$2.2 billion in lost equity (in just one year). Add in Ontario's Landlord and Tenant Board's myriad injustices (I have an eviction hearing scheduled next month for a tenant for hasn't paid rent since March 2020 – one year!)

Media and politicians have universally demonized residential landlords during the pandemic (actually, long before then) because of the supposed rapid increases in rent rates. The reality is that while rents have increased dramatically, government failed housing policies, outrageously unfair tax policies and municipal fees, short-sighted and poorly understood residential laws, and dare-I-say ... stupid ... supposed cost-control strategies have all resulted, not only in creating unaffordable rental and purchase housing but also strangled the life out of the net operating income of these types of investment properties. In other words, rents may have risen but landlord profits have not and there's scant net profit.

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