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NEWS RELEASE – BCUC Issues Report to BC Government on Residential Inclining Block Rates

VANCOUVER – The BCUC has issued an independent report requested by the BC Government in response to public concerns raised about BC Hydro and FortisBC’s residential inclining block (RIB) rates.

In the report, the BCUC has concluded that:

- Most customers, including low income customers, pay less under the RIB rate than under the flat rate, even in areas without access to natural gas.
- While some residential customers will pay more under the RIB rate than under a flat rate, RIB rates do not cause a cross-subsidy, in the sense that the utility industry uses the term, between customers with and without access to natural gas.
- Both BC Hydro and FortisBC offer a range of demand-side management (DSM) programs aimed at encouraging customers, including low-income customers, to conserve energy and promote energy efficiency.
- More could be done to promote the existing DSM programs and to encourage more customers to participate. There is also potential for the two utilities to add new DSM programs, including those which could target high-use and low-income customers.

RIB rates are intended to encourage energy conservation or promote energy efficiency by charging customers a higher rate for electricity purchased above a specific point. Utilities do this by charging customers more for the electricity they use beyond a certain “step” (1,350 kWh per billing period for BC Hydro, 1,600 kWh for FortisBC), while also giving all residential customers a reduction in the price they pay for electricity below that step.

Customers can have considerable consumption at the higher tier rate and still be better off than under the flat rate. Only when electricity bills exceed a break-even point (2,300 kWh per billing period for BC Hydro and 2,500 kWh per billing period for FortisBC) will customers pay more under the RIB rate than under a flat rate. And since many customers’ bills are lower in the summer than in the winter, there are often savings in the summer that can go towards offsetting higher bills in the winter months.

A number of important factors that lead to high residential electricity use were considered in this report, including customers using electricity for space heating and hot water, as well as customers’ housing types. Customers’ bills are also impacted by general utility rate increases, and seasonal factors like the colder than normal weather, which lead to higher bills whether customers use electricity or natural gas for space and water heating.

The BCUC’s role in the development of this report was to provide evidence that responds to the Minister’s questions regarding the RIB rate. In developing this report, the BCUC established an open, fair and transparent review process, which included:

- consultation with the utilities and the public on the method and process to prepare its report;
- public comments on the impacts of the RIB rates and awareness of ways to mitigate impacts; and
- public and stakeholder comments on the utilities’ reports to the BCUC.

In an effort to reach all impacted parties, the BCUC provided extensive opportunities for public comment, expanding on the usual comprehensive notification and public comment periods. During two separate public comment processes, the BCUC received 669 letters of comment. In addition, 10 parties registered as stakeholders in the proceeding, including a group that represents low-income residential customers.

The BCUC is the independent regulatory agency responsible for the oversight of energy utilities and compulsory automobile insurance in the province of BC. Our role in setting rates is to provide a balance to ensure that customers pay fair rates, and that utilities can receive a fair return on their investments.

To read the full report please visit the following link: [Click here](#)

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BACKGROUND

Replacing the previous flat rate structure, the RIB rates were introduced by BC Hydro in 2008 and FortisBC in 2013 to incent consumers to conserve energy and promote energy efficiency, and there is evidence that this is happening.

In July 2015, the BC Minister of Energy and Mines requested the BCUC to provide government with a report on the impacts of RIB rates, specifically regarding cross-subsidization, low-income customers, and demand side management programs to encourage conservation.

The questions were:

1. Do the residential inclining block rates cause a cross-subsidy between customers with and without access to natural gas service?
2. What evidence is available about high bill impacts on low income customers?
3. What evidence is available about factors that lead to high-energy use and, therefore, bill impacts for customers without access to natural gas, including low income customers?
4. What is the potential for existing Demand Side Management programs to mitigate these impacts?
5. Within the current regulatory environment, what options are there for additional Demand Side Management programs, including low income programs?