
NEWS RELEASE

For Immediate Release
2021EMLI0053-001689
Aug. 27, 2021

Ministry of Energy, Mines and Low Carbon Innovation

Recommendations from BC Hydro review to keep electricity affordable

VICTORIA – The Province and BC Hydro have released recommendations from Phase 2 of the BC Hydro Review to keep rates affordable and encourage greater use of clean, renewable electricity to reduce emissions and achieve climate targets.

“Keeping life affordable for people is a key priority of our government,” said Bruce Ralston, Minister of Energy, Mines and Low Carbon Innovation. “Affordable electricity rates not only help British Columbians, they help ensure the price of electricity remains competitive with other forms of energy, supporting the transition away from fossil fuels to clean electricity in our homes and buildings, vehicles and businesses.”

While affordable rates have always been important to BC Hydro customers, expectations are also changing as customers look to have more choice and control over their electricity use and opportunities to save money.

Guided by input from a panel of external energy industry experts, government and BC Hydro have developed recommendations under Phase 2 of the BC Hydro Review to reduce electricity costs for individuals and businesses, as envisioned by the CleanBC climate strategy. This is also in alignment with TogetherBC, the Province’s poverty reduction strategy, and its guiding principle of affordability.

“As we promote increased use of electricity in B.C. to achieve our climate targets, we need to continue to focus on keeping electricity rates affordable, especially for lower-income families,” said Nicholas Simons, Minister of Social Development and Poverty Reduction. “Through the BC Hydro Review, and continuing engagement with stakeholders and organizations to follow, we are committed to finding ways to keep rates affordable, so everyone has access to the benefits of B.C.’s clean, reliable electricity.”

Recommendations include having BC Hydro consider providing more support for lower-income BC Hydro customers. These include incentives and exploring optional rates for customers to adopt electric heat pumps, and facilitating customer adoption of controllable energy devices that provide BC Hydro the ability to offer incentives in return for helping to manage a customer’s electricity use.

Electrification of B.C.’s economy helps customers reduce their carbon footprint and supports the Province’s CleanBC climate strategy, and is an important part of keeping electricity affordable. As more customers make the switch from fossil fuels to using clean electricity in their homes, vehicles and businesses, BC Hydro’s electricity sales will increase, providing more revenue that helps keep rates affordable for everyone.

“We’re making the transition to a cleaner future more affordable for people and businesses

across British Columbia through our CleanBC plan,” said George Heyman, Minister of Environment and Climate Change Strategy. “By working with BC Hydro and other partners, we’re making sure everyone has access to clean, affordable electricity to power technologies like high-efficiency heat pumps and electric vehicles that will reduce harmful pollution and improve our homes, buildings and communities.”

Chris O’Riley, president and CEO, BC Hydro, said: “Given the impact of COVID-19 on British Columbians, affordability is more important than ever. That’s why we are committed to continuing to keep rates affordable and offering customers more options that allow them to save on their bills while using clean electricity.”

In July 2021, the Province announced a first set of recommendations from Phase 2 of the BC Hydro Review. The next announcement from Phase 2 will include recommendations to increase the number of electric vehicles on the road.

In addition, as part of the Draft Action Plan to advance the Declaration on the Rights of Indigenous Peoples Act, the Province is proposing to engage with Indigenous peoples to identify and support new clean energy opportunities related to CleanBC, the BC Hydro Review and the British Columbia Utilities Commission Indigenous Utilities Regulation Inquiry.

B.C. is the cleanest electricity-generation jurisdiction in western North America, with an average of 98% of its electricity generation coming from clean or renewable resources.

Learn More:

To learn more about the BC Hydro Review, visit:

<https://www2.gov.bc.ca/gov/content/industry/electricity-alternative-energy/electricity/bc-hydro-review-phase-2>

For an overview of rates 2017-18 to 2021-22,

visit: https://news.gov.bc.ca/files/BCHydro_affordability.pdf

Three backgrounders follow.

Contacts:

Ministry of Energy, Mines and Low Carbon
Innovation
Media Relations
250 952-0622

BC Hydro
Media Relations
604 928-6468

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BACKGROUND 1

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Facts about BC Hydro

- BC Hydro's cumulative customer rate increases for the past three years (fiscal 2020-22) totals was 1.3%, and is projected to be less than the cumulative rate of inflation for the next 10 years.
- BC Hydro rates remain among the lowest in North America.
- Adjusting for inflation, electricity in B.C. costs the same now as it did back in 1978.
 - The average family pays more than twice as much for their TV, internet and phone services.
- In 2019, the Province indefinitely suspended BC Hydro's Standing Offer Program, following Phase 1 of the Comprehensive Review, to help control costs and keep rates affordable.
- BC Hydro has about 130 outstanding electricity purchase agreements with independent power producers, representing about \$46 billion in future energy purchase commitments.
- Under these agreements, BC Hydro pays an average of about \$100 per megawatt hour.
 - This is higher than the market value of the energy, which is about \$30 per megawatt hour on average, and higher than the average cost of heritage generation, which is about \$32 per megawatt hour.
- From April to June 2020, BC Hydro's COVID-19 bill relief programs provided \$37.2 million in bill credits to residential customers and \$6.3 million in relief to small business customers.
- Heat pumps offer the benefit of both heating and cooling, can be up to 300% more efficient than electric baseboards and gas furnaces and up to 50% more energy efficient for cooling compared to a typical window air conditioning unit.

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BACKGROUND 2

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Ministry of Energy, Mines and Low Carbon Innovation

Recommendations to keep rates affordable, support electrification

The following actions have been identified through the Phase 2 BC Hydro Review process as potential initiatives to keep electricity rates affordable and support the greater use of B.C.'s clean, renewable electricity in homes, buildings, vehicles and businesses.

This work aligns with and supports BC Hydro's 2021 Integrated Resource Plan to be filed with the BC Utilities Commission later this year.

Government and BC Hydro will consider options for implementing the recommendations by advancing them through appropriate engagement with Indigenous peoples and other organizations, stakeholders and the public, and seek approvals, including those from the British Columbia Utilities Commission (BCUC), as required.

1. To encourage households to switch from natural gas heating to an electric heat pump:

a) BC Hydro should develop an optional discounted rate for customers who adopt heat pumps.
b) Government should implement further measures to lower the upfront costs of heat pump installations for medium- and low-income households, expanding on the CleanBC Better Homes Program.

- Space heating can be a major use of energy in B.C. homes. A properly installed heat pump is two to three times more efficient than other electric and fossil fuel alternatives and can provide both heating and cooling.
- Heat pumps are also a great option for British Columbians who want to reduce their carbon footprint, as they are run by clean electricity and not fossil fuels (such as a natural gas furnace).
- BC Hydro and government have implemented a number of measures to provide incentives for the purchase of heat pumps, including the CleanBC Better Homes Low-Interest Financing Program. The program provides loans with interest rates as low as 0% for switching from a fossil fuel (oil, propane or natural gas) heating system to a heat pump: <https://betterhomesbc.ca/rebates/financing/>
- From October 2020 to June 2021, the Province doubled CleanBC Better Homes retrofit rebates for select home-heating and energy-efficiency upgrades for a limited time to support B.C.'s economic recovery and help British Columbians save on energy costs. Applicants had to pre-register for a promotional code by March 31, 2021, and complete their upgrades by June 30, 2021, to participate. With the end of the extended incentives, retrofit rebates continue to be available for eligible participants at standard amounts.
- BC Hydro and government can complement this work and further encourage the adoption of heat pumps through several measures, including:
 - exploring an optional, discounted customer rate to encourage electricity service for

heat pumps. The rate would be informed by customer and stakeholder engagement that has been initiated on BC Hydro's next rate design application to the BCUC.

- considering incentives for medium- and low-income households. Government is exploring an income-qualified residential retrofit offer as part of the existing CleanBC Better Homes Program to provide high-value or full-cost incentives to low- and moderate-income households.

2. To provide additional support for low-income customers, government and BC Hydro should consider implementing a means-tested program modelled after the Customer Crisis Fund pilot program.

- As the impacts of COVID-19 continue to resonate through the economy, BC Hydro's low-income customers are particularly vulnerable.
- In June 2021, the Province temporarily extended BC Hydro's Customer Crisis Fund (CCF) to continue providing support for people in financial crisis and help avoid disconnections of their electricity service: <https://news.gov.bc.ca/releases/2021EMLI0043-001196>
- The CCF allows eligible BC Hydro customers who are facing a financial hardship due to a job loss, injury, illness or loss of a family member, and possible disconnection of their service, to access grants of up to \$600 to help pay their BC Hydro bill.
- BC Hydro also offers low-income conservation programs and flexible payment plans for customers that need extra time to pay their bills.
- Staff from the Ministry of Energy, Mines and Low Carbon Innovation, the Ministry of Social Development and Poverty Reduction, and BC Hydro will examine other crisis intervention program options over the next year.

3. To help provide customers with bill savings and reduce system costs, BC Hydro should continue to invest in cost-effective demand side measures that promote energy efficiency and shift energy use to periods of lower demand.

- Demand side measures (DSM) are programs, investments or other actions taken to reduce energy demand or shift energy use to periods of lower demand.
- BC Hydro has a successful history of conservation and energy management programs through Power Smart, including programs specifically for income-qualifying customers.
- BC Hydro spends approximately \$85 million annually on DSM.
- The BCUC will play a greater role in reviewing BC Hydro's demand side investments through its review of BC Hydro's upcoming Integrated Resource Plan (its long-term plan to meet energy demand), which will be submitted to the BCUC later this year.

4. BC Hydro should (a) develop a flexible rate option where customers receive a discount for providing BC Hydro the ability to manage electricity demand for items like electric-vehicle charging, hot water and electric baseboards, and (b) should leverage DSM programs to complement the flexible rate to influence and support customer behaviour and adoption of controllable energy products.

- Controlling electricity use, either through price signals or directly through controllable energy using devices, could save customers money and support higher levels of electrification in homes, buildings and vehicles.
- For residential customers, increased electrification could be encouraged by an optional

time of use rate to save money for customers with controllable energy devices that have the ability to manage electric load for flexible electric end uses that can reduce greenhouse gas emissions, such as hot water and baseboard heating, and charging electric vehicles.

- Supporting implementation of these technologies through programs similar to current DSM programs could encourage customer participation by increasing adoption of controllable energy devices.
- This approach will also help to support the clean-tech sector by increasing the use of products from a variety of vendors and support growth in existing markets.

5. BC Hydro should develop an optional rate to promote conversion of district energy systems from natural gas to electricity.

- District energy systems centralize the production of heating or cooling for a condominium or apartment block, neighbourhood or community. Many of these systems are fuelled by natural gas and represent a significant opportunity for reducing or avoiding greenhouse gas emissions.
- A discounted rate for district energy system customers connected to BC Hydro's distribution system could make electricity more competitive with natural gas and can be set to help ensure existing ratepayers benefit through the increased use of electricity in place of natural gas.
- Large transmission voltage district energy customers can already access a discounted rate through the CleanBC Industrial Electrification Rate approved in February 2021.
- A potential optional rate for distribution voltage district energy customers will be informed by customer and stakeholder consultation, which has been initiated as part of BC Hydro's next rate design application process, and would require approval from the BCUC.

Contacts:

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BACKGROUND 3

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Phase 2 guided by broad range of engagement, input

Phase 2 of the BC Hydro Review was conducted by the Ministry of Energy, Mines and Low Carbon Innovation, the Ministry of Environment and Climate Change Strategy, and BC Hydro (including its subsidiaries, Powerex and Powertech).

The review was informed and guided by nine external energy industry experts with extensive experience in public and private North American utility operations, labour, climate change, Indigenous relations, regulation and electricity markets.

The Province released an interim report in March 2020. The report shared preliminary ideas on Phase 2 and included questions to solicit further feedback from industry stakeholders, Indigenous peoples, environmental organizations, municipalities, unions and customer groups. Responses to the interim report informed the development of the final recommendations.

In addition, as part of the Draft Action Plan to advance the Declaration on the Rights of Indigenous Peoples Act, the Province is proposing to engage with Indigenous peoples to identify and support new clean energy opportunities related to CleanBC, the BC Hydro Review and the British Columbia Utilities Commission Indigenous Utilities Regulation Inquiry.

Learn More:

For biographies of the external energy industry experts who informed and guided the Phase 2 Review, visit: <https://www2.gov.bc.ca/gov/content/industry/electricity-alternative-energy/electricity/bc-hydro-review-phase-2>

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