

# Home Energy Spending in Ontario: Income and Regional Distribution

Briefing Deck



# Purpose and Structure of FAO's Report

**Purpose:** to examine how home energy spending differs across income levels and regions in Ontario. The report also discusses how the benefits from provincial programs that subsidize the cost of electricity are distributed to Ontario households by income level and region.

The report has two main sections:

1. Analysis of home energy spending by income level
2. Analysis of home energy spending by region

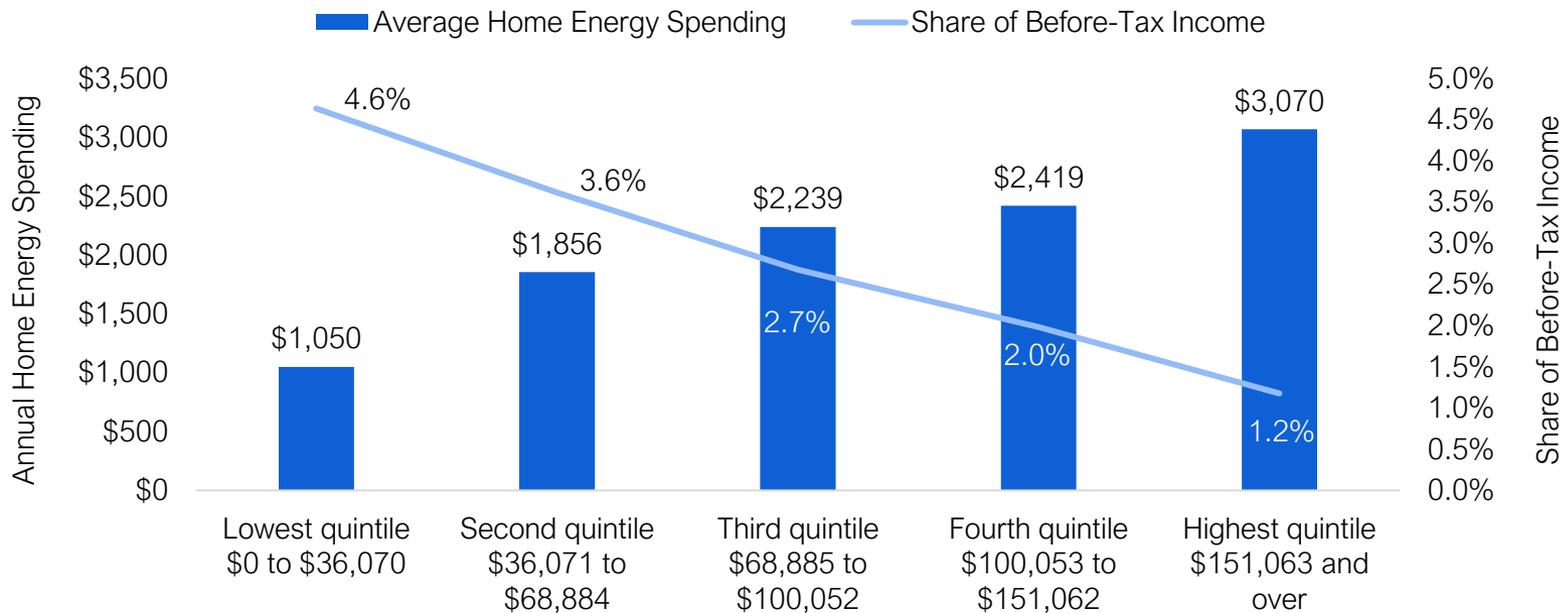


# Home Energy Spending by Household Income Level



# Home Energy Spending by Income Level

- In 2019, the average Ontario household spent **\$2,128** on home energy. However, average home energy spending varied significantly by income level.
- In general, home energy spending tends to increase with income primarily because higher income households have larger homes.
- Although lower income households spend less overall on home energy, they spend a higher percentage of their household income on home energy.



Source: Adapted by FAO from Statistics Canada, Table 11-10-0223-01 Household spending by household income quintile, Canada, regions and provinces.

# Provincial Home Electricity Subsidies

- The distribution of home energy spending across income groups is significantly affected by provincial programs that subsidize the cost of electricity.
- In 2019, the Province spent **\$3.5 billion** through five programs to reduce electricity bills for Ontario households.

Program	Program Description	Benefit to Eligible Ratepayers in 2019	Cost to the Province in 2019 (\$ millions)
Ontario Electricity Rebate (OER), replaced the Fair Hydro Plan (FHP) in November 2019	Provides a rebate to all households on their pre-tax electricity bills.	Rebate equal to 31.8 per cent of the pre-tax electricity bill.	\$2,781
Distribution Rate Protection Program (DRP)	Reduces the cost of delivering electricity to households in areas with high electricity distribution costs.	Monthly base delivery charge capped at \$36.90.	\$253
Rural or Remote Electricity Rate Protection Program (RRRP)	Reduces the cost of delivering electricity to households in rural or remote areas of Ontario.	Monthly delivery charge reduced by \$60.50.	\$241
Ontario Electricity Support Program (OESP)	Reduces electricity bills for eligible low-income ratepayers.	On bill credit ranging from \$35 to \$113 per month depending on household size, income, and energy intensity.	\$174
On-Reserve First Nations Delivery Credit	Removes the electricity delivery charge for all on-reserve First Nations households.	Monthly delivery charge eliminated.	\$24
<b>Total</b>			<b>\$3,473</b>

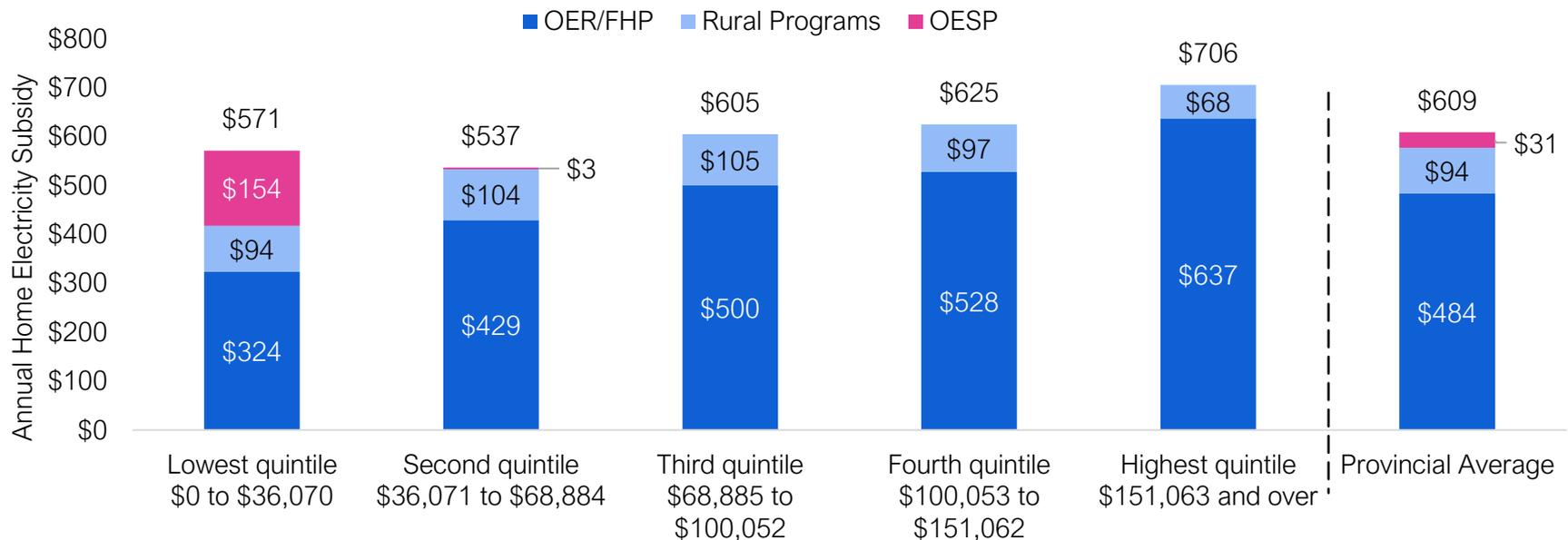
Note: Excludes electricity and other energy subsidies for non-residential ratepayers and energy subsidies that do not directly reduce Ontario households' on-bill electricity costs, including the Ontario Energy and Property Tax Credit and the Northern Ontario Energy Credit. Also excludes the Low-income Energy Assistance Program (LEAP), which provides emergency financial assistance for households that face having their electricity and natural gas services disconnected.

Source: FAO analysis of information provided by the Ministry of Energy.



# Effect of Provincial Electricity Subsidies by Income

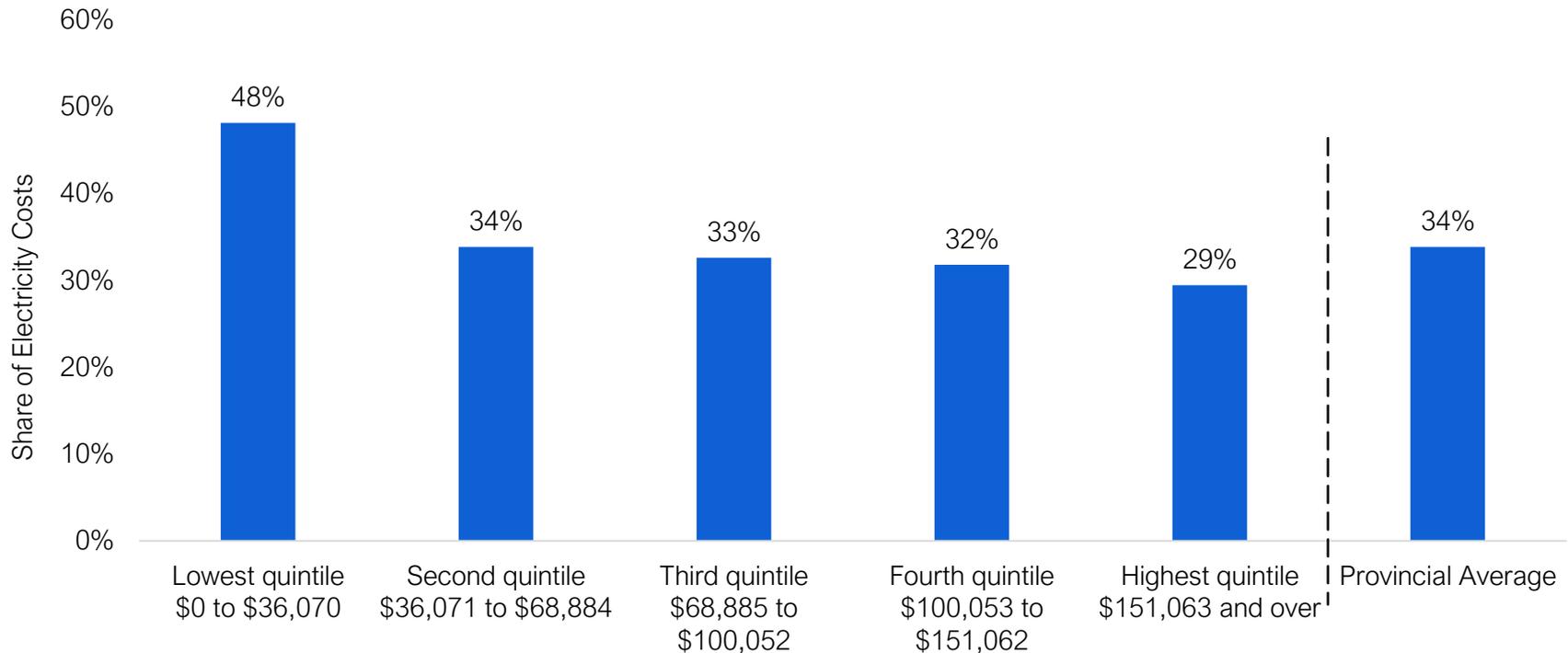
- Overall, the FAO estimates that the Province's electricity subsidy programs reduced the cost of electricity for the average Ontario household by **\$609** in 2019.
- In general, as a household's average income increased, the average electricity subsidy provided by the Province increased, with the exception of households in the lowest income quintile, which received higher average subsidies than households in the second income quintile.



Note: "OER/FHP" is the Ontario Electricity Rebate program (previously the Fair Hydro Plan); "Rural Programs" is the Distribution Rate Protection Program, the Rural or Remote Electricity Rate Protection Program, and the On-Reserve First Nations Delivery Credit; and the "OESP" is the Ontario Electricity Support Program.  
Source: FAO.

# Effect of Provincial Electricity Subsidies by Income

- The FAO estimates that the Province subsidized **34** per cent of total home electricity costs in 2019. Households in the lowest income quintile had the largest proportion of their electricity costs subsidized at **48** per cent.



Source: FAO.

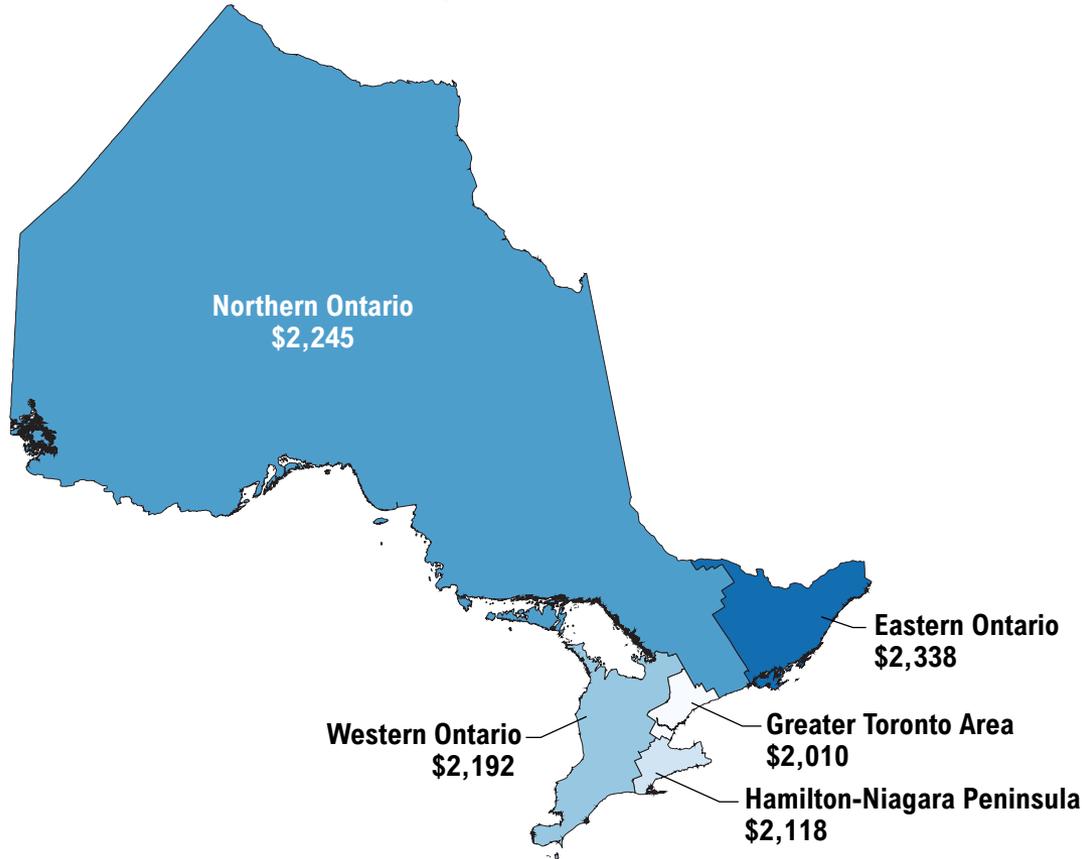


# Household Home Energy Spending by Region



# Home Energy Spending by Region

- To illustrate the differences in home energy spending across Ontario, the FAO has separated the province into five regions.

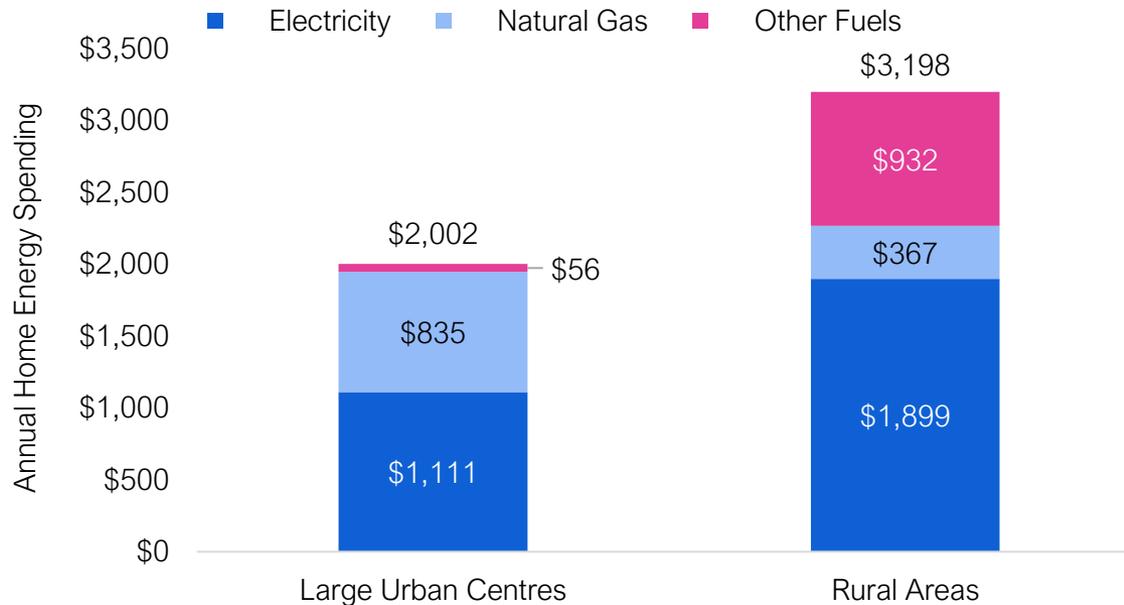


Note: Eastern region is Statistics Canada's economic regions of Ottawa and Kingston-Pembroke; Hamilton-Niagara region is the economic region of Hamilton-Niagara Peninsula; Northern region is the economic regions of Muskoka-Kawarthas, Northeast, and Northwest; Greater Toronto Area region is the economic region of Toronto; and Western region is the economic regions of Kitchener-Waterloo-Barrie, London, Windsor-Sarnia, and Stratford Bruce Peninsula.  
Source: Adapted by FAO from Statistics Canada, Survey of Household Spending, 2019.



# Home Energy Spending: Rural vs. Urban Households

- Households in rural regions of Ontario tend to have higher home energy costs due to less access to natural gas, which is the most cost-effective energy source for home heating. They also tend to pay higher energy prices due to the high cost of distributing electricity and fuels to rural areas.
- The FAO estimates households in rural areas of Ontario spent **60** per cent more on home energy compared to households in large urban centres.



Note: Large urban centres have populations of 250,000 or higher. Rural areas have populations of 1,000 or lower.  
Source: Adapted by FAO from Statistics Canada, Survey of Household Spending, 2019.



# Home Energy Spending: Regional Analysis

- The Eastern region has the highest home energy spending in Ontario due to a combination of having the highest average household income and the second lowest population density.
- Households in the GTA and Hamilton-Niagara regions spend the least on home energy. These two regions have the highest population densities, the highest use of natural gas for home heating, and the lowest energy distribution costs.

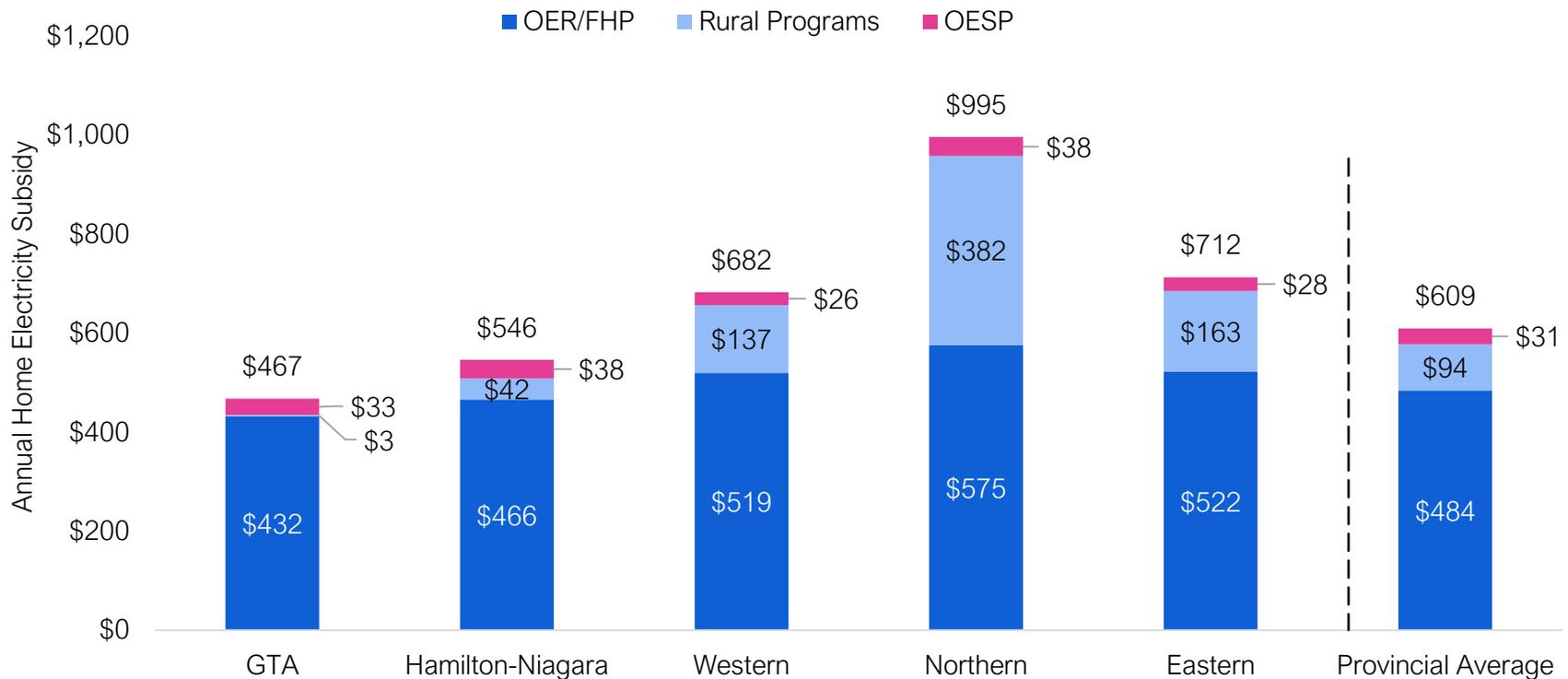
Region	Average Home Energy Spending	Population per Square Kilometer	Average Before-Tax Household Income
Eastern Region	\$2,338	49	\$108,888
Northern Region	\$2,245	1	\$81,671
Western Region	\$2,192	74	\$93,702
Hamilton-Niagara Region	\$2,118	198	\$92,614
Greater Toronto Area Region	\$2,010	898	\$107,967
<b>Provincial Average</b>	<b>\$2,128</b>	<b>13</b>	<b>\$100,884</b>

Note: Eastern region is Statistics Canada's economic regions of Ottawa and Kingston-Pembroke; Hamilton-Niagara region is the economic region of Hamilton-Niagara Peninsula; Northern region is the economic regions of Muskoka-Kawarthas, Northeast, and Northwest; Greater Toronto Area region is the economic region of Toronto; and Western region is the economic regions of Kitchener-Waterloo-Barrie, London, Windsor-Sarnia, and Stratford Bruce Peninsula.  
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# Effect of Provincial Electricity Subsidies by Region

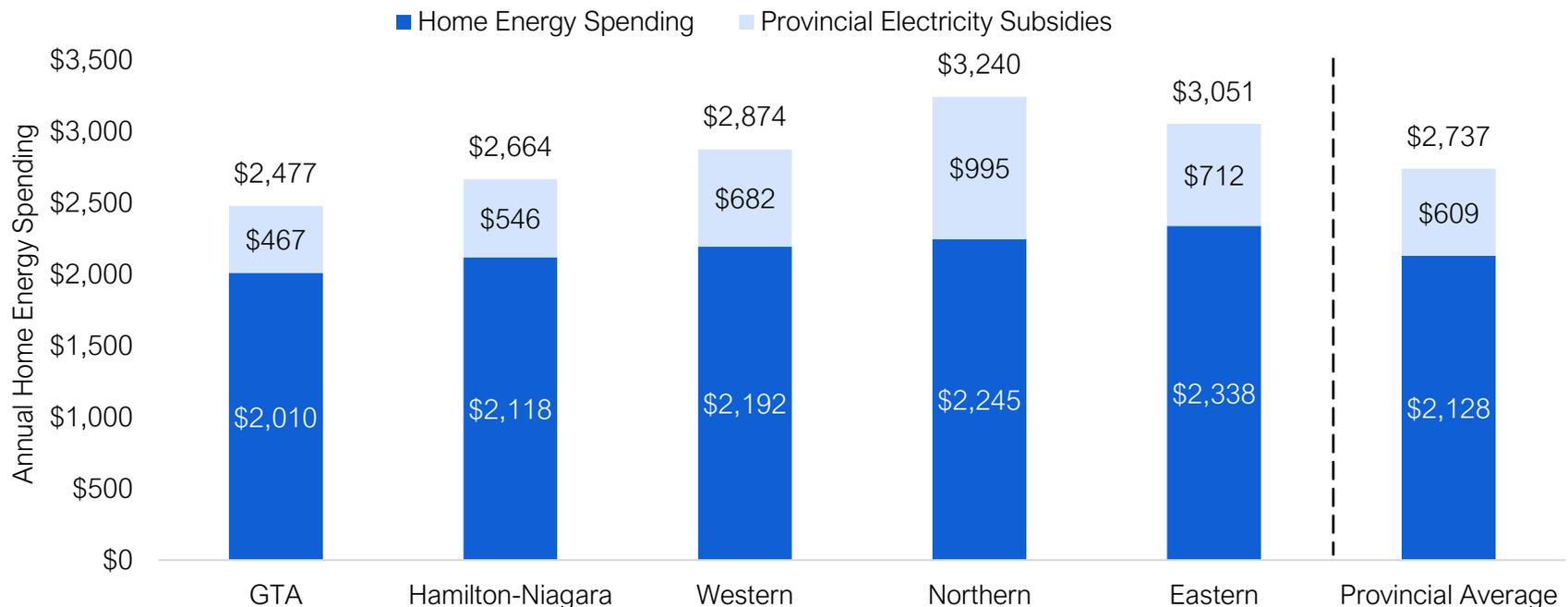
- The differences in home energy spending across regions is significantly mitigated by provincial electricity subsidies.
- Households in rural areas of Ontario receive higher provincial electricity subsidies than households in urban areas.



Source: FAO.

# Effect of Provincial Electricity Subsidies by Region

- Without provincial electricity subsidies, households in the Northern region would have had the highest annual home energy spending at **\$3,240** and would have spent **\$763**, or **31 per cent** more on home energy than households in the GTA in 2019.
- After accounting for provincial electricity subsidies, households in the Northern region spent only **\$235** or **12 per cent** more on home energy than households in the GTA.



Source: FAO.

# Thank you!



# FAO

FINANCIAL ACCOUNTABILITY  
OFFICE OF ONTARIO

2 Bloor Street West, Suite 900, Toronto, Ontario, M4W 3E2

416.644.0702

[info@fao-on.org](mailto:info@fao-on.org)

[fao-on.org](http://fao-on.org)

