

March 25, 2021

Ontario natural gas bills are changing

Natural gas customers of Enbridge Gas Inc. (Enbridge) and EPCOR Natural Gas Limited Partnership (EPCOR) across Ontario will see changes on their bills beginning April 1, 2021.

The changes relate in part to the quarterly adjustment for the market price of the natural gas commodity – known as the Quarterly Rate Adjustment Mechanism (QRAM) – for customers of Enbridge (including the rate zones of both the former Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited) and EPCOR. The Ontario Energy Board (OEB) does not allow utilities to earn a profit on the sale of gas. They must pass through the price they pay to buy natural gas on the open market to their customers with no markup. Other factors contributing to the April 1, 2021 bill changes are described below.

Beginning April 1, 2021, the total annual bill impact for residential customers using the typical amount of natural gas will be:

	EGD	Union South	Union North East	Union North West	EPCOR Aylmer	EPCOR Southern Bruce
Annual Usage for a Typical Residential Customer	2,400 m ³	2,200 m ³	2,200 m ³	2,200 m ³	1,780 m ³	2,149 m ³
Total QRAM and distribution rate changes (A)*	\$19.06	\$6.54	\$17.93	-\$44.68	\$18.07	\$6.02
Federal Carbon Charge (B)	\$47.04	\$43.13	\$43.13	\$43.13	\$34.93	\$42.12
Temporary Rate Adjustments (C)*	\$10.69	\$25.59	-\$9.03	-\$9.03	\$34.47	\$0.00
Total Annual Bill Impact (A+B+C)	\$76.79	\$75.26	\$52.03	-\$10.58	\$87.47	\$48.14
Percentage Change	7.9%	9.0%	4.9%	-1.0%	10.9%	3.4%

* See “Reasons for Rate Changes” below

The bill impact for individual customers will vary depending on how much natural gas they use.

About the QRAM

Natural gas is a commodity traded on North American markets. Market prices rise and fall based on current supply and demand. Major weather events can also affect the market price.

Every three months, natural gas utilities ask the OEB to adjust their commodity rates to cover:

- **Future costs.** Utilities estimate the market price for natural gas over the next 12-month period.
- **Past costs.** Utilities also track the difference between actual and forecast commodity prices. This “true up” may be called the *Gas Price Adjustment* or *Cost Adjustment* on the bill. It can increase or lower the rate accordingly. For example, if a utility collected more from customers than it paid for gas in the past, the difference is credited back to customers through a lower rate. Likewise, if not enough was collected by the utility, the rate will be higher.

Because forecasting is done in advance of when utilities actually purchase natural gas, it is never exact. Utilities apply to the OEB for adjustments to be made to their commodity rates so that rates track more closely with market prices.

Reasons for Rate Changes

The changes associated with the price of the natural gas commodity (the QRAM) are caused by upward pressure on North American natural gas prices due to lower storage inventory levels in North America.

The total bill for all customers is also affected by an increase in the federal carbon charge. Among other things, under the federal *Greenhouse Gas Pollution Pricing Act* Enbridge and EPCOR are required to pay a carbon charge to the federal government for volumes of natural gas that they deliver to their customers. The federal carbon charge increases annually each April. All of the money collected for this charge goes to the federal government.

For all Enbridge rate zones, the total annual bill impact is also affected by temporary rate adjustments previously approved by the OEB relating to the disposition of balances in Enbridge's 2017 and 2018 demand side management deferral accounts¹.

For the Union North West rate zone only, a rate mitigation plan that was previously approved by the OEB is ending. As a result, the total annual bill impact for this group of residential customers will be lower than would otherwise have been the case.

In its decision for Enbridge Gas's October 2020 QRAM, the OEB approved a two-phase rate mitigation plan for the Union North rate zone. The first phase of the plan involved providing a temporary credit to customers in that rate zone in order to mitigate a bill increase. The first phase was in effect October and December of 2020. The second phase of the plan involved a temporary charge in order for Enbridge Gas to recover the cost of the temporary credit that was provided in the first phase. The second phase was in effect between January and March of 2021 and is no longer in effect as of April 1, 2021.

For EPCOR Aylmer customers, the total annual bill impact also includes the implementation of 2021 distribution rates and temporary rate adjustments related to the disposition of certain deferral account balances that were previously approved by the OEB.

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¹ Deferral accounts track the cost of a project or program which the utility could not forecast when the rates were set. When the costs are known, the utility can then request OEB approval to recover the costs in rates. Variance accounts track the difference between the forecast cost of a project or program, which has been included in rates, and the actual cost. If the actual cost is lower or higher, then the utility can request OEB approval to return the difference to customers as a credit or to recover the difference through rates.

