

September 23, 2021

Ontario natural gas bills are increasing

Natural gas customers of Enbridge Gas Inc. (Enbridge) and EPCOR Natural Gas Limited Partnership (EPCOR) across Ontario will see increases on their bills beginning October 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 (Aylmer) and EPCOR (South Bruce). 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 October 1, 2021 bill changes are described below.

Beginning October 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 South 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
QRAM¹ and other rate changes* (A)	\$81.22	\$70.40	\$68.76	\$57.22	\$48.93	\$47.86
Temporary Rate Adjustments (B)	\$3.93	-\$17.02	\$1.39	-\$41.11	-	-
Total Annual Bill Impact (A+B)	\$85.15	\$53.38	\$70.15	\$16.11	\$48.93	\$47.86
Percentage Increase	8.3%	5.9%	6.5%	1.6%	7.0%	3.9%

*See “Reasons for Rate Changes” section 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

¹ QRAM is described in the *About the QRAM* section. Other rate changes may include rate changes approved by the OEB in other (non-QRAM) proceedings (e.g., distribution rate applications).

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 the October 1, 2021 Rate Changes

The changes associated with the price of the natural gas commodity are caused by upward pressure on North American natural gas prices due to higher than forecast demand in North America and a slight decrease in production and supply interruptions related to Hurricane Ida.

The OEB has approved a rate mitigation plan proposed by Enbridge Gas which reduces that impact to a range from 1.5% to 8.3%, depending on the rate zone. Bill mitigation is a tool used by the OEB to protect consumers from having large bill increases at one time, for example by phasing in the increase over a period of time.

For all Enbridge rate zones, the total annual bill impact is also affected by the implementation of temporary rate adjustments previously approved by the OEB that relate to the disposition of balances in Enbridge's 2019 demand side management deferral accounts and its 2019 earnings sharing and non-commodity deferral and variance accounts.²

For EPCOR South Bruce, the OEB has approved a rate mitigation plan proposed by EPCOR which reduces the typical residential customer's total annual bill to a 3.9% increase.

EPCOR Aylmer purchases its natural gas from Enbridge Gas' Union South rate zone and a local producer. With Enbridge Gas' mitigation plan in place, the bill impact on a typical residential customer in EPCOR Aylmer's operation is 7.0%.

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² 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.

