

December 17, 2021

The Rising Market Price of Natural Gas: Helping to Manage Cost Increases for Customers Across Ontario

The Ontario Energy Board (OEB) has approved rate mitigation plans proposed by Enbridge Gas Inc. (Enbridge) and EPCOR Natural Gas Limited Partnership (EPCOR) that will help to temporarily safeguard Ontario natural gas customers from notable bill increases related to high natural gas market prices expected through the upcoming winter months.

As noted in Table 1, beginning January 1, 2022, the total annual bill impact for residential customers using a typical amount of natural gas will be:

Table 1

	EGD	Union South	Union North West	Union North East	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
QRAM and other rate changes ¹	\$54.18	\$47.25	-\$1.49	\$48.46	\$42.46	\$75.12
Percentage Increase	4.9%	5.0%	-0.1%	4.2%	4.6%	5.0%

*Bill impacts will vary depending on how much natural gas individual customers use.

For the current Quarterly Rate Adjustment Mechanism (QRAM), the OEB approved a rate mitigation plan proposed by Enbridge that reduces the total annual bill impact for a typical residential customer to a range between -0.1% to 5.0%, depending on the rate zone. Similarly, for EPCOR South Bruce, the OEB has approved a rate mitigation plan proposed by EPCOR which reduces the increase in a typical residential customer’s total annual bill to 5.0%. EPCOR Aylmer purchases its natural gas from Enbridge’s Union South rate zone and a local producer. With Enbridge’s mitigation plan in place, the total bill impact for a typical residential customer in EPCOR Aylmer’s service area is 4.6%.

Rate mitigation is a tool used to help protect consumers from experiencing large bill increases all at once. Mitigation provides customers with temporary relief by smoothing out cost recovery over a longer period. It was highlighted in [a letter](#) from the Minister of Energy as particularly important given current global supply and demand issues, rising costs and the need for home heating throughout the winter months. While the OEB has concluded that the utilities’ mitigation plans are appropriate in setting commodity prices for January 1, 2022, over time the commodity prices must recover the market prices of natural gas. The next QRAM will take place for April 1, 2022.

As seen in Table 2, without the OEB-approved mitigation plans in place, a typical residential customer would have faced a total annual bill impact ranging from 9.9% to 15.1%, depending on their utility and rate zone.

¹ QRAM is described in the *About the QRAM* section. Other rate changes are rate changes that were approved by the OEB in earlier (non-QRAM) distribution rate proceedings but that only come into effect now.

Table 2

Utility	Change Before Mitigation (\$)	Change Before Mitigation (%)	Change After Mitigation (\$)	Change After Mitigation (%)
EGD	\$121.10	11.0%	\$54.18	4.9%
Union South	\$143.17	15.1%	\$47.25	5.0%
Union North West	\$113.42	10.3%	-\$1.49	-0.1%
Union North East	\$174.07	15.0%	\$48.46	4.2%
EPCOR Aylmer*	N/A	N/A	N/A	N/A
EPCOR South Bruce	\$147.17	9.9%	\$75.13	5.0%

*Rate mitigation was not proposed by EPCOR Aylmer as its natural gas prices are based on Union South natural gas commodity prices. As a result, the mitigation plan approved for Enbridge for the Union South rate zone also affects EPCOR Aylmer's customers.

About the QRAM

Natural gas is a commodity that is bought and sold on North American energy markets. At any given time, its price fluctuates based on a variety of factors including supply and demand, seasonal changes, levels of stored natural gas, and major weather events. Enbridge and EPCOR update their forecast of market prices every three months and use that forecast to seek the OEB's approval of their proposed changes to natural gas commodity prices. These proposed changes cover:

- **Future costs:** This is based on a forecast of market prices for natural gas over the next 12-month period.
- **Past costs:** This is based on the difference between what the utility previously forecast that their customers would pay and what their customers actually paid. This kind of adjustment is needed because the gas prices charged to customers are based on forecasts, which are never exact. This may be called the Gas Price Adjustment or Cost Adjustment on your 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.

This process is known as the *Quarterly Rate Adjustment Mechanism (QRAM)*, and regardless of market fluctuations in price, the OEB does not allow utilities to earn a profit on the sale of gas.

The OEB is committed to delivering public value through careful regulation and independent adjudicative decision-making, which contributes to Ontario's economic, social and environmental development. With respect to natural gas prices and the reliability and quality of gas service, we set rates for the natural gas that customers of Enbridge and EPCOR use in their homes and businesses, and we also set the rates that those utilities charge for the delivery of natural gas to their customers.

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Ce document est aussi disponible en français.

This Backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decisions and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for decision; those may be found in the three Decision and Orders issued today, which are the official OEB documents.

