

March 23, 2023

Market Prices for Natural Gas are Decreasing

The Ontario Energy Board (OEB) has approved new natural gas prices for Enbridge to take effect April 1, 2023.

REASONS FOR CHANGES TO NATURAL GAS BILLS

QRAM

Several factors give rise to the change in natural gas prices approved for Enbridge's QRAM for the April 1 to June 30 period including:

- Warmer than normal weather
- An increase in North American gas production
- North American natural gas storage inventory levels are higher than normal¹

Total Annual Bill Impact

As noted in Table 1, beginning April 1, 2023, the total annual bill impact* for residential customers using a typical amount of natural gas in each rate zone will be:

Table 1

Rate Zone and Typical Annual Usage for a Residential Customer	Enbridge Gas Distribution 2,400 m ³	Union South 2,200 m ³	Union North East 2,200 m ³	Union North West 2,200 m ³
Total Annual Bill – Current	\$1,472.84	\$1,375.45	\$1,668.53	\$1,403.28
– Beginning April 1, 2023	\$1,289.75	\$1,213.69	\$1,476.84	\$1,237.37
Total Annual Bill Impact	-\$183.09	-\$161.76	-\$191.69	-\$165.91
Percentage Change	-12.4%	-11.8%	-11.5%	-11.8%

*Bill impacts will vary depending on how much natural gas individual customers use. Natural gas use is generally lowest during the summer months.

The Quarterly Rate Adjustment

Mechanism (QRAM) is the process by which the OEB adjusts the prices that natural gas customers pay for the natural gas that they use and to reflect changes in natural gas market prices.

These price changes are approved to take effect on the 1st of the month in January, April, July, and October each year.

The OEB does not allow natural gas distributors to earn a profit on the sale of natural gas, regardless of market fluctuations in price.

Other Rate Changes

The OEB also sets rates that natural gas distributors can charge for the delivery and storage of natural gas.

Any changes to those rates that are approved by the OEB between QRAM decisions also take effect on the first day of the next calendar quarter.

¹ <https://www.eia.gov/outlooks/steo/>

Accelerated Recovery of Amounts in the Purchased Gas Variance Account

When natural gas prices are expected to increase significantly, distributors are expected to propose rate mitigation as part of their QRAM application. Rate mitigation is a tool used by the OEB 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.

Where rate mitigation is approved by the OEB, the distributor is deferring the recovery of some of the costs that it incurred to buy gas for its customers to a later date. These deferred costs are recorded in an account called the Purchased Gas Variance Account² (PGVA). The balance in this account, which is also used to record past costs (see “About the QRAM” below), is typically passed through to customers and recovered over a 12-month period, which helps to smooth rate impacts.

Given the significant and sustained increases in the market price for natural gas that began in October 2021, Enbridge proposed and received OEB approval in the April and July 2022 QRAMs to recover the PGVA balances over a 24-month period rather than the normal 12-month period, which further helped to smooth rate impacts.

In its QRAM application for April 1, 2023, Enbridge proposed to accelerate the recovery of amounts in the PGVA. Given that the market cost of natural gas has decreased significantly, Enbridge would be able to recover these deferred costs from customers over a shorter period while still allowing prices to decrease. The OEB found this proposal to be appropriate. The annual bill impact associated with accelerating the recovery of the PGVA amounts is an increase of approximately \$5 to \$10 for a typical residential customer using the typical amount of natural gas, depending on the rate zone.

Other Rate Changes

Other changes taking effect on April 1, 2023 and included in Table 1 above are rate changes and temporary rate adjustments previously approved by the OEB in Enbridge’s Federal Carbon Pricing proceeding.³ Under the federal *Greenhouse Gas Pollution Pricing Act*, Enbridge is required among other things to pay a carbon charge to the federal government for emissions from the volume of natural gas that it delivers to its customers. The federal carbon charge increases annually each April. All the money collected by Enbridge through this charge goes to the federal government.

The annual bill impact for a typical residential customer resulting from the updated federal carbon charge is an increase of \$57 to \$62 depending on the rate zone.

In the same proceeding the OEB approved temporary rate adjustments associated with the recovery of amounts in certain federal carbon charge-related deferral accounts. These temporary rate adjustments, which will apply only to bills for April, range between a charge of \$0.50 to \$1 for a typical residential customer, depending on the rate zone.

² Deferral and variance accounts are commonly used regulatory tools that allow a utility an opportunity to address costs that were unknown or uncertain when its rates were set.

³ [EB-2022-0194, February 9, 2023](#)



These increased costs are offset this quarter by the significant decrease in the market cost of natural gas, allowing total bills to decrease.

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 updates its forecast of market prices every three months and uses that forecast to seek the OEB's approval of its 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. The adjustment for past costs 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.

The OEB does not allow natural gas distributors to earn a profit on the sale of gas, regardless of market fluctuations in price.

Resources to Support Natural Gas Customers

- **Low-income Energy Assistance Program (LEAP)**
This program provides a grant towards a customer's electricity and/or natural gas bill if they're behind on their bill and may face having their service shut off. It is for emergency situations. See OEB.ca/BillHelp
- **Rules for low-income customers**
Electricity utilities, natural gas utilities and unit sub-metering providers follow customer service rules specific to low-income customers. These include waiving security deposits and allowing longer payment times under arrears payment plans. See OEB.ca/BillHelp
- **Enbridge** – To help consumers save energy and lower their natural gas bill, Enbridge offers rebates for energy-efficiency upgrades and free upgrades for income-qualified homes.
 - [Residential](#)
 - [Business](#)

About the OEB

The OEB is the independent regulator of Ontario's electricity and natural gas sectors. It protects the interests of consumers and supports the collective advancement of the people of Ontario. Its goal is to deliver public value through prudent regulation and independent adjudicative decision-making which contributes to Ontario's economic, social and environmental development.



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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 decision and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for the decision; those may be found in the Decision and Order issued today, which is the official OEB document.

