



Backgrounder

April 12, 2007

May 1, 2007 Electricity Prices Decreasing for Regulated Price Plan (RPP) consumers

Highlights:

- Starting May 1st, prices for residential consumers who buy their electricity through their utility will decline by 3.3% percent to 5.3 cents per kilowatt hour for the first 600 kWh used each month and 6.2 cents per kilowatt hour above that.
- Non-residential consumers can use the first 750 kilowatt hours each month at the lower price.
- These prices are reflected on the “Electricity” line of consumers’ bills.
- Consumers who currently buy their electricity through a retailer (or who recently signed a new contract) and are paying their contract price will continue to do so.
- The amount of electricity residential consumers can use at the lower price has also changed from the winter threshold of 1,000 kilowatt hours per month to the summer threshold of 600 kilowatt hours per month.
- The result of the price decrease and the lower summer threshold when compared to current prices will mean that a RPP residential consumer using an average of 1,000 kilowatt hours a month will see a monthly increase of approximately \$1.60 on the “Electricity” line of their bills.
- When compared to the same time period last year when the summer threshold was the same at 600kWh/month, a residential consumer using 1,000 kilowatt hours per month will see a decrease of approximately \$5.00 monthly on the “Electricity” line of their bill.
- The reduction in electricity prices of 0.2 cents per kilowatt hour is primarily due to the decline in the RPP variance account balance. As of March 15, 2007, the positive net balance in the variance account stood around \$16.3 million and is expected to be at a balance of \$70 million by the end of April. This represents a credit of about 0.10 cents per kWh in the RPP prices announced today.
- The principal contributing factor in the variance balance credit was milder than expected weather throughout the fall season and most of the winter.
- The new prices reflect the improvement in the variance account balance changing from a charge to a surplus and the forecast cost of electricity for the next price period.
- This change in electricity prices is the second consecutive reduction over the past year representing a total decrease of 0.2 cents per kWh or 3.3% since November 2006 and 0.5 cents per kWh or 8.8% since May 2006.

Background

The Regulated Price Plan applies to residential and small business consumers who use under 250,000 kWh/year and who buy their electricity through a utility. The Board set these prices based on a forecast of the expected cost to supply RPP consumers from May 1, 2007 to April 30, 2008 and the balance in the variance account.

Under the two-tiered RPP pricing structure for residential consumers, the monthly price threshold for the lower price is set at 600 kWh per month during the summer season, from May to October and at 1,000 kWh per month for the winter season of November to April.

For non-residential RPP consumers, the price threshold remains at 750 kWh per month throughout the year.

The seasonal price thresholds for residential consumers of 600 kWh and 1000 kWh are designed to recover about the same amount in electricity commodity charges as using a 750 kWh threshold over the full year. This is to ensure similar treatment between residential and non-residential consumers.

Electricity prices under the RPP are affected by a number of factors. Among them are:

- the amount of electricity produced by generators that are paid regulated or capped prices;
- market prices for electricity paid to other generators;
- natural gas prices (used as a fuel by some generators);
- the weather; and
- the variance account balance

Time-of-use prices have also changed for all three periods:

- **On-peak = 9.2 cents per kWh** (previously 9.7 cents)
- **Mid-peak = 7.2 cents per kWh** (previously 7.1 cents)
- **Off-peak = 3.2 cents per kWh** (previously 3.4 cents)

Time-of-use prices only apply to a small subset of consumers on the Regulated Price Plan at this time.

Variance Account

The variance account for the RPP is managed by the Ontario Power Authority. It tracks the difference between what RPP consumers have paid and what has been paid to generators to supply them.

Since the last RPP price adjustment in November 2006, the deficit in the variance account balance has been paid off more quickly than the Board's forecast. The variance balance is expected to be a surplus of \$70 million at April 30th, mainly due to milder than expected weather throughout the fall season and most of the winter. This is the primary reason for the change in RPP prices effective May 1, 2007.

Monthly "Electricity" Line

The Board's website has charts that show examples of the effect of the Regulated Price Plan (RPP) on the "Electricity" line of consumers bills based on different monthly consumption levels.

The examples take into account the change from the winter season (November to April) price threshold of 1,000 kWh / month to the summer season (May to October) price threshold of 600 kWh / month.

The price threshold is the amount of electricity that is charged at the lower RPP price.

Because the price of electricity changes with the level of consumption, some consumers will experience an increase on their electricity costs while others will experience a decrease relative to November. Compared to May 2006, when the price thresholds were the same, all consumers will experience a decrease.

Historical RPP Prices for Residential Consumers

<i>Effective Date</i>	Apr 1, 2005	Nov 1, 2005	May 1, 2006	Nov 1, 2006	May 1, 2007
<i>Residential Threshold</i>	750 kWh/mo. threshold	1,000 kWh/mo. threshold	600 kWh/mo. threshold	1,000 kWh/mo. threshold	600 kWh/mo. threshold
<i>Lower Tier Price</i>	5.0¢ per kWh	5.0¢ per kWh	5.8¢ per kWh	5.5¢ per kWh	5.3¢ per kWh
<i>Higher tier Price</i>	5.8¢ per kWh above	5.8¢ per kWh above	6.7¢ per kWh above	6.4¢ per kWh above	6.2¢ per kWh above

For more information

Details on today’s announced electricity prices are available via the Board’s website at www.oeb.gov.on.ca.

The Ontario Energy Board regulates the province’s electricity and natural gas sectors in the public interest. It envisions a viable and efficient energy sector with informed consumers, and works towards this vision through regulatory processes that are effective, fair and transparent.

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