

**Ontario Energy Board**  
P.O. Box 2319  
2300 Yonge Street  
27th Floor, Suite 2701  
Toronto ON M4P 1E4  
Telephone: 416 481-1967  
Facsimile: 416 440-7656

**Commission de l'énergie de l'Ontario**  
C.P. 2319  
2300, rue Yonge  
27<sup>e</sup> étage, bureau 2701  
Toronto ON M4P 1E4  
Téléphone : 416 481-1967  
Télécopieur : 416 440-7656



## Backgrounder

October 12, 2007

---

### November 1, 2007 Electricity Prices for Regulated Price Plan (RPP) consumers

- Highlights:**
- Starting November 1<sup>st</sup>, consumers who buy their electricity from their utility will pay 5.0 cents per kilowatt hour for consumption *below* the threshold each month, then 5.9 cents per kWh for electricity used *above* the threshold each month. These prices are reflected on the “Electricity” line of consumers’ bills.
  - For *residential* consumers, the monthly threshold for the lower price is set at 1,000 kWh per month during the winter season, from November 1 to April 30 (and at 600 kWh per month for the summer season of May 1 to October 31).
  - For *non-residential* consumers eligible for the price plan, the threshold remains at 750 kWh per month for the entire year.
  - The RPP currently applies to residential and small business consumers, and other consumers identified by regulation.
  - Consumers who currently buy their electricity from a retailer (or who recently signed a new contract) and are paying their contract price will continue to do so.
  - On average, this represents a 4.8% decrease in electricity commodity prices.
  - The reduction in electricity prices is primarily due to the need to reduce the surplus in the RPP variance account balance. As a result, a credit of 0.3 cents per kilowatt hour has been included in RPP prices to clear the surplus over the next 12 months. As of September 15, 2007, the positive net balance was about \$180 million and is expected to be \$208 million by the time the new prices go into effect. Among other factors, the increase in the variance balance was primarily due to wholesale electricity prices being lower than forecast.
  - Specific hours for RPP time-of-use pricing periods are for consumers of utilities that:
    1. have billing systems capable of charging time-of-use prices that vary throughout the day; and
    2. have voluntarily implemented time-of-use pricing.
  - The time-of-use prices have been reduced for all three periods:
    - **On-peak = 8.7cents per kWh** (previously 9.2 cents)
    - **Mid-peak = 7.0 cents per kWh** (previously 7.2 cents)
    - **Off-peak = 3.0 cents per kWh** (previously 3.2 cents)

Time-of-use prices only apply to a small subset of consumers on the Regulated Price Plan at this time. This currently includes some consumers with Milton Hydro and Chatham-Kent Hydro.

**Background** The Regulated Price Plan applies to residential and small business consumers who use under 250,000 kWh/year and who buy their electricity from a utility. These consumers are charged a regulated price for the electricity they use. The Board set these prices based on a forecast of the expected cost to supply RPP consumers from November 1, 2007 to October 31, 2008.

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;
- contract prices of generators that have entered into agreements with the Ontario Power Authority (OPA) as well as the costs associated with OPA conservation & demand management (CDM) programs;
- market prices for electricity paid to other generators;
- prices of natural gas and coal (used as fuels by some generators);
- the exchange rate (because generators purchase such fuels in U.S. dollars); and
- the weather.

RPP prices also take into account the variance account balance (positive or negative) which reflects the difference between the stable forecast price paid by consumers and the actual fluctuating cost of supplying them with electricity.

**Variance Account** The variance account for the RPP is managed by the Ontario Power Authority (OPA). It tracks the difference between what consumers have paid and what has been paid to generators.

Since the last RPP price adjustment in May 2007, the positive balance in the variance account has increased due to wholesale electricity prices being lower than forecast. The price of natural gas, which is used as a fuel by some generators, was lower than expected and the unexpected significant appreciation in the Canadian dollar was also a major contributing factor with fuels such as natural gas and coal purchased by generators in U.S. dollars.

To clear the surplus over the next 12 months, the Board has included a credit of 0.3 cents per kWh in the new RPP prices.

**Time-of-Use (TOU) pricing** Milton Hydro and Chatham-Kent Hydro are currently the only utilities in Ontario that charge TOU prices for their residential and small business consumers.

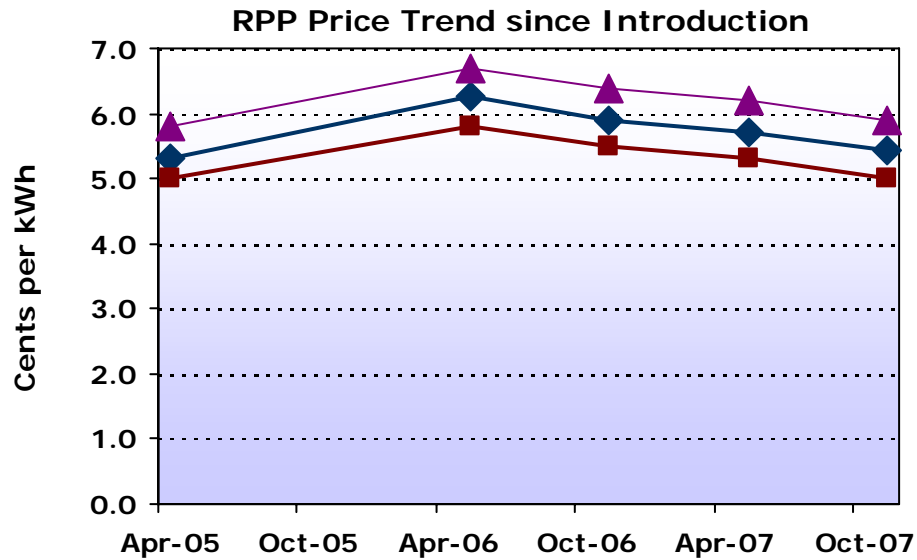
**OPG Rebate and Provincial Benefit** If consumers buy electricity under the RPP, an estimate of the **OPG Rebate** and the **Provincial Benefit** is already reflected in the RPP price on the "Electricity" line of the bill. For consumers that buy from an electricity retailer, the Provincial Benefit and OPG Rebate are not included in the contract price offered by the retailer, so on the bill it's shown as a separate item.

**Provincial Benefit:** It can be a credit or a charge, and reflects the difference between regulated and contract prices for electricity paid to certain generators (as well as Conservation & Demand Management initiatives) and the market prices they would have received had they not been subject to government regulation or contracts. It's forecast to be a charge of 0.22 cents per kWh in RPP prices effective November 1<sup>st</sup>.

**OPG Rebate:** The Government placed a cap on the amount paid to certain generation facilities owned by Ontario Power Generation (OPG). Consumers receive a rebate for any revenues from those facilities exceeding the cap. The estimated credit included in RPP prices is 0.42 cents per kWh.

**Net Impact:** The combined effect of the OPG Rebate and Provincial Benefit is an estimated credit of 0.2 cents per kWh “built in” to RPP prices.

This is a forecast and, for consumers with a retailer, they will pay or receive actual amounts for these two items on their bills.



	Apr-05	May-06	Nov-06	May-07	Nov-07
◆ Ave RPP Price	5.318	6.256	5.896	5.704	5.429
■ Tier 1	5.0	5.8	5.5	5.3	5.0
▲ Tier 2	5.8	6.7	6.4	6.2	5.9

**For more information**

Details on today’s announced electricity prices are available via the Board’s website at [www.oeb.gov.on.ca](http://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 healthy and efficient energy sector with informed consumers, and works towards this vision through regulatory processes that are effective, fair and transparent.

-30-

For more information please contact:

Paul Crawford  
Ontario Energy Board  
416-440-7607

Eric Pelletier  
Ontario Energy Board  
416-440-7685