

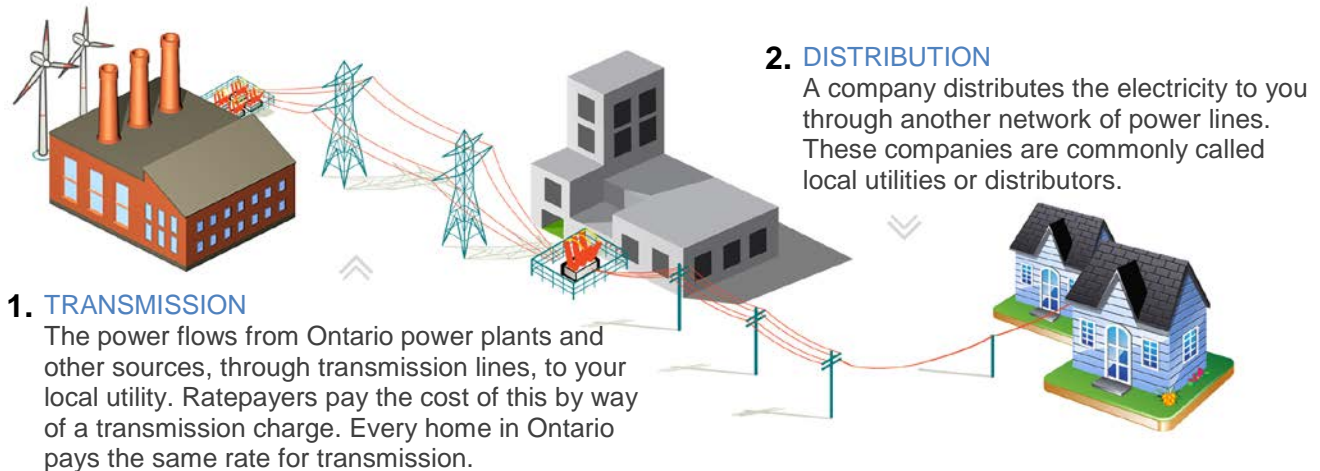
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## Backgrounder: The delivery charges on your electricity bill (2015)

There are two main steps to get electricity to your home:



The cost of both steps are added together and shown on the “Delivery” line of your electricity bill.

The charges include costs to:

- design, build and maintain overhead and underground lines, poles, stations and local transformers
- respond to customer calls for day-to-day services
- respond to emergency situations such as local power outages.

### Differences in Costs from Utility to Utility

Distributor’s costs can vary based on local factors like:

- The age and condition of the company’s equipment
- The size of the area that the company serves
- How close together the company’s customers are
- The number of residential customers compared to the number of business and factories
- How easy or difficult it is to run lines and other equipment to your door. For example, if there are trees, hills or other obstacles.

### How Rates are Set – the OEB’s Role

In its role as regulator, the Ontario Energy Board sets electricity prices across the province. Here is how the process works.

1. Each year, distributors apply to the Board to change their rates. In most cases, the Board requires distributors to go through an extensive review of their costs of providing service to their customers once every five years
2. The Board reviews each rate application through a public process. Documents are posted on the Board's website and updated as the Board reviews the application. Consumer groups and other affected groups may also take part in the process and provide comments. For larger or more complex cases, the hearing will include an open meeting which anyone can watch in person or listen to via webcast on the Board's website.
3. The Board decides whether or not to approve any or all of the application and then sets the rates for the distributor to charge.

The Board is an independent and neutral public agency. We make decisions that serve the public interest. Our goal is to promote a sustainable and efficient energy sector that provides you with reliable energy services at a reasonable cost.

## **Determining Distribution Rates – A Five-year Cycle**

**Year One** in the cycle is an intensive, public review of the utility's projected costs. This type of review is commonly called a cost of service review. In any given year, roughly one-fifth of Ontario's 77 electricity distributors apply for a cost of service review.

**Years Two to Five** will most commonly be formulaic rate increases - typically less than inflation. This encourages the utilities to manage their costs efficiently.

## **Quick Facts**

- There are 77 utilities that deliver electricity directly to homes and businesses in Ontario.
- The Board uses a similar approach, called incentive regulation, to set Ontario natural gas distributors' rates (specifically Enbridge and Union). Great Britain uses incentive regulation in most regulated sectors, including Telecom, water, gas, electricity and rail services. Incentive regulation has also been used in telecom and energy (gas and electricity) regulation in a number of U.S. states.

## **Bill Impacts**

[Estimated residential consumer bill impacts](#) resulting from distribution rate changes and changes to other charges are available on the Board's website. This summary provides estimated bill impacts by distributor and is updated as rates for individual distributors are announced.

The Board's consumer website also features interactive [bill calculators](#) to help residential and small business consumers estimate their electricity or natural gas bills, and compare them to an estimate of what their bill would be using the contract price offered by an electricity retailer or natural gas marketer.

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