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Backgrounder – May 1 electricity price change

April 20, 2015

<p>About Electricity Prices</p>	<p>The Ontario Energy Board reviews prices for households and small businesses twice each year, on May 1 and November 1.</p> <p>The price changes only affect households and small businesses who buy their electricity from their local utility.</p> <p>Electricity prices make up more than half the total of an average household bill. These electricity prices are shown on one of the five line items on bills – the Electricity line (the others are Delivery, Regulatory Charges, Debt Retirement Charge and Ontario Clean Energy Benefit).</p>
<p>Time-of-use Pricing</p>	<p>With time-of-use prices, customers pay different prices depending on when they use electricity.</p> <p>There are three time-of-use periods – on-peak, mid-peak and off-peak. Like cell phone plans, prices are lower in the evenings, on weekends and on holidays.</p> <p>97% of customers on the regulated price plan pay time-of-use prices.</p> <p>Time-of-use prices are designed to reflect the cost of electricity at different times of the day.</p> <p>They encourage households and small businesses to use electricity during lower-cost time periods. This can in turn ease pressure on the provincial power system. It can also benefit the environment.</p>
<p>Ratios between on/mid/off peak</p>	<p>The difference between on- and off-peak prices is expanding from a ratio of 1.8:1 to 2:1. Not only is the on-peak price higher under this scenario, but the off-peak price is also lower than it would have been without this change.</p> <p>The TOU prices in each period are set in combination to recover the actual costs of electricity.</p> <ul style="list-style-type: none"> • The change in ratios effective May 1 will affect customers differently, depending on how they use electricity. For example: <ul style="list-style-type: none"> ○ A customer using 800 kWh per month whose consumption pattern is typical for those on TOU would experience no overall bill impact due to the ratio change. Their bills will rise by \$5.71 because the cost of power has increased. ○ The typical Ontario TOU household uses about two-thirds of its power during off-peak hours, and the remainder in near equal amounts

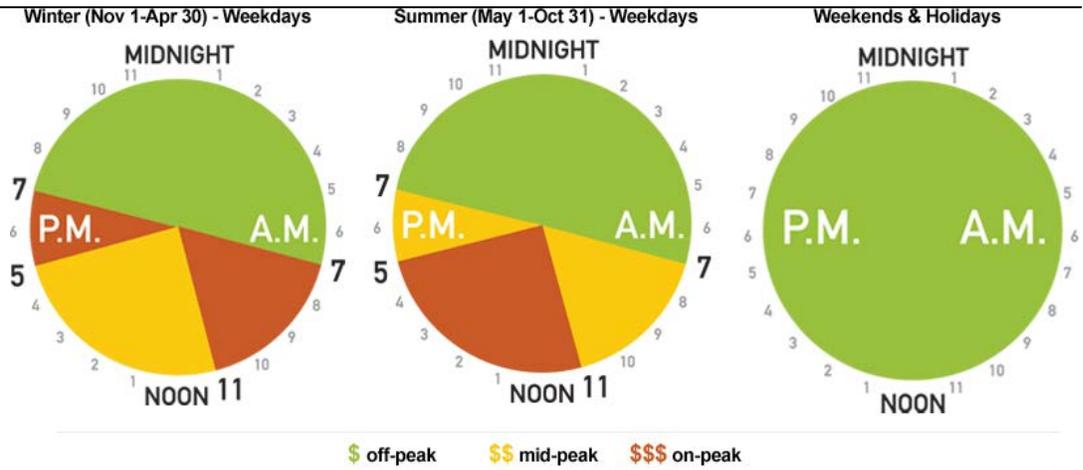
during mid-peak and on-peak times.

- Customers who use more electricity than the typical TOU household in the on-peak hours, and do not shift any of their usage to the off-peak period, will experience a slightly higher bill impact.
- Customers who already use more than a typical portion of their power in off-peak hours will see a benefit from this change.
- The overall effect is that customers who shift on-peak consumption into off-peak periods will see a greater reward for doing so.

New Summer Time-of-use Electricity Prices

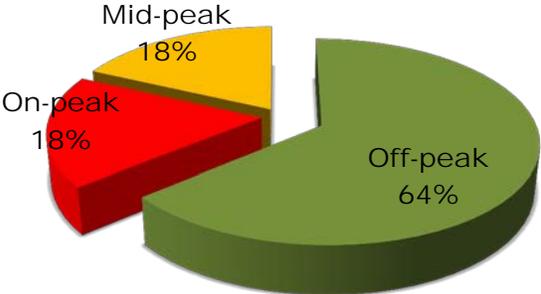
Category	Time(s)	New Summer Price	Change
Off-peak	Weekdays 7pm-7am All day weekends and holidays	8.0 ¢/kWh	(↑0.3 cents)
Mid-peak	Weekdays 7am-11am and 5pm-7pm	12.2¢/kWh	(↑0.8 cents)
On-peak	Weekdays 11am-5pm	16.1¢/kWh	(↑2.1 cents)

Summer & Winter Time-of-Use Hours



The TOU price periods change each May 1 and November 1 – the same day prices are adjusted.

The difference between the summer and winter periods reflects differences in consumer habits. In summer, electricity use peaks during the hottest part of the day, when air conditioners are running on high. In winter, less daylight means electricity use peaks twice: once in the morning when people wake up and turn on their lights and appliances and again when people get home from work.

<p>When a Typical Household Uses Most of its Electricity</p>	<p>On average, households on TOU currently use most of their power, almost two-thirds of it, during off-peak hours.</p> <p>A 2013 report prepared for the OEB shows that households appear to be responding to time-of-use prices by using less electricity during on-peak hours and more during off-peak hours. Along with conservation, this means electricity bills for households are estimated to be \$12 lower per year for each customer than they would have been otherwise.</p>								
	<div style="text-align: center;"> <p>Typical Household Electricity Consumption on TOU Pricing</p>  <table border="1" data-bbox="646 548 1187 842"> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Off-peak</td> <td>64%</td> </tr> <tr> <td>On-peak</td> <td>18%</td> </tr> <tr> <td>Mid-peak</td> <td>18%</td> </tr> </tbody> </table> </div>	Category	Percentage	Off-peak	64%	On-peak	18%	Mid-peak	18%
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<p>Bill Impact of New Prices</p>	<p>The price for customers is increasing by approximately \$5.71 per month on the “Electricity” line, and about 4.6% on the total bill, for a household with a typical consumption pattern and using 800 kWh per month. The cost of power for 2015 is broadly in line with the amount estimated in the Long Term Energy Plan.</p>								
<p>Reasons for Changes</p>	<p>The Ontario Energy Board sets electricity prices based on updated cost estimates.</p> <p>Supply costs have increased due to underlying changes in the total cost of power from rate regulated generation facilities and increased costs from new renewable sources of generation.</p> <p>A significant element of those changes is an estimate for the costs associated with an application by OPG for the recovery of costs tracked in deferral and variance accounts. While the Board has not made its decision on this application, recovery of approximately half of the requested amount has been used in the calculation of the RPP prices. This approach is consistent with one of the objectives of the Regulated Price Plan, which is to smooth change in prices over time. Regardless of whether the Board approves higher or lower payments to OPG, any difference will be reflected in the RPP variance account, and will be included in electricity prices when they are reviewed in November 2015.</p>								

Why Prices Depend on the Time Electricity is Used	<p>As demand rises, so does the cost of electricity.</p> <p>Ontario's electricity grid is fed by lower cost power when demand is lower. Known as baseload generation, this power largely comes from nuclear and large hydroelectric facilities. When demand is high and all baseload power is used, the province must turn to higher-cost generators. Those power sources generally include some natural gas-fired plants and some renewable generators.</p>												
Setting Electricity Prices	<p>The Ontario Energy Board calculates how much it will cost to supply households and small businesses in the province with electricity for the following year. Many factors go into this estimate, including:</p> <ul style="list-style-type: none"> • The amount of power those customers are expected to use • The projected price of fuel during that time – e.g. natural gas • The types of power that will be available (i.e. how much nuclear, hydroelectric, natural gas, renewable), and at what cost • The accuracy of previous projections <p>The OEB then sets prices for each of the three time-of-use periods in order to recover expected costs while providing incentives and opportunities for customers to reduce their bills by shifting their time of electricity use.</p>												
Contracts	<p>A small number of electricity customers – fewer than 1 in 10 – get their power from an electricity retailer rather than their local utility.</p> <p>Those customers continue to pay the prices stated in their contract.</p> <p>They are, however, subject to a fluctuating rate known as the Global Adjustment. The Global Adjustment appears as a separate charge on their electricity bill. It is designed to cover the difference between electricity market prices and the actual payments many generators receive. It also covers the cost of conservation and demand management programs.</p> <p>Global Adjustment costs are incorporated into the electricity prices for customers who pay the prices set by the OEB under the Regulated Price Plan.</p>												
Tiered Prices	<p>A small number of customers – again, fewer than 1 in 10 – are still on the old pricing system, known as tiered pricing. The changes for these customers are:</p> <p>New Tiered Prices for Households</p> <table border="1" data-bbox="407 1472 1411 1707"> <thead> <tr> <th></th> <th>Summer Threshold</th> <th>New Summer Price</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td>1st Level</td> <td>Up to 600 kWh/month</td> <td>9.4¢/kWh</td> <td>↑ 0.6 cents</td> </tr> <tr> <td>2nd Level</td> <td>Everything over 600 kWh/month</td> <td>11.0¢/kWh</td> <td>↑ 0.7 cents</td> </tr> </tbody> </table> <p>* The threshold for small businesses stays at 750 kWh/month all year.</p>		Summer Threshold	New Summer Price	Change	1st Level	Up to 600 kWh/month	9.4¢/kWh	↑ 0.6 cents	2nd Level	Everything over 600 kWh/month	11.0¢/kWh	↑ 0.7 cents
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**For more
information**

For more information, visit the OEB's consumer website at
www.ontarioenergyboard.ca.

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