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Backgrounder

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About the RPP

Both tiered and time-of-use (TOU) prices form part of the OEB's Regulated Price Plan (RPP). The RPP is designed to ensure the price that residential and small business consumers on the RPP pay for electricity recovers the payments made to generators that supply the electricity they consume. RPP prices are set to recover the total cost of that supply, regardless of which of these prices (tiered or TOU) distributors use to bill for the electricity consumed by their RPP customers.

RPP prices, reviewed semi-annually, are reflected on the "Electricity" line of residential and small business RPP consumer bills, representing about half the total bill.

TOU pricing

Time-of-use pricing encourages Ontarians to shift some electricity use to mid- and off-peak hours.

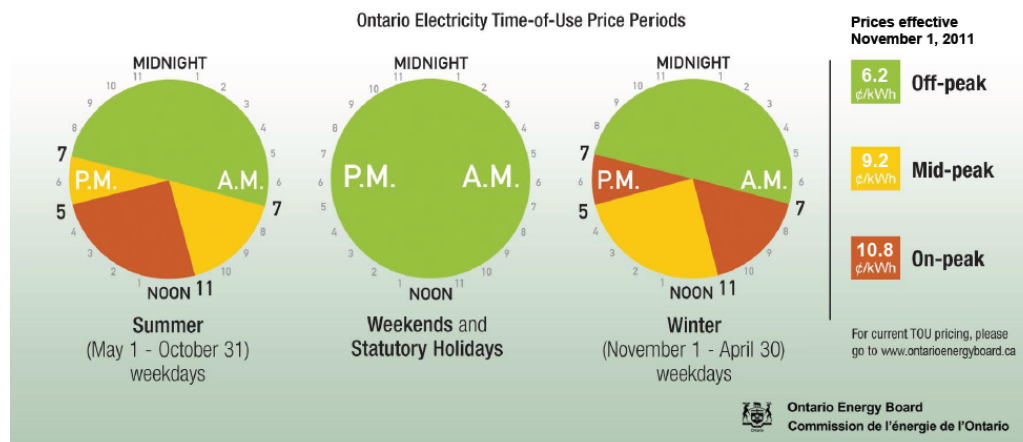
This pricing structure better reflects the cost of supply. Prices rise and fall over the course of the day based on demand levels and the type of supply available.

When demand is lower, less expensive sources of electricity are used. When demand rises, more expensive forms of electricity production are called upon.

Time-of-use (TOU) prices take into account when, as well as how much, electricity is used by a consumer, as recorded by the consumer's smart meter.

Consumers should check with their utility for details on when TOU pricing will start.

Winter & Summer TOU



View this graphic online:

http://www.ontarioenergyboard.ca/OEB/ Documents/For+Consumers/TOU_prices_Winter.pdf

The TOU price periods change from summer to winter to better reflect seasonal consumption patterns. As such, in the winter season (November 1 - April 30), there are two peak periods, from 7 a.m. to 11 a.m. and from 5 p.m. to 7 p.m. weekdays, while there is only one in the summer (May 1 – October 31), from 11 a.m. to 5 p.m. weekdays.

Though the electricity line on the bill has increased, a comparison of November 2010 and November 2011 shows overall the total bill has fallen as a result of the introduction of the Ontario Clean Energy Benefit. An average sample bill comparison of November 2010 and November 2011 for RPP consumers using 800 kWh per month is available on our website at: http://www.ontarioenergyboard.ca/OEB/Documents/Documents/Sample_bill_impacts_Nov2010-Nov2011.pdf

Why bill impacts differ (TOU vs. tiered)

In the winter season, for residential consumers on tiered prices, the lower price applies for the first 1,000 kWh of electricity used in a month (as opposed to the 600 kWh threshold that applies in the summer season). For a residential consumer who uses 800 kWh per month, the impact of the threshold change is to offset the price increase that would otherwise apply (\$2.60) by \$2.40 during the winter season. The net increase on the “Electricity” line is therefore \$0.20 for each of the six months of the winter season. When the threshold returns to 600 kWh during the summer, this offsetting impact won’t apply, and the “Electricity” line will increase as a result. Generally, the bill impact related to price changes in November is greater for consumers on TOU than for consumers on tiered pricing, but the bill impact related to price changes in May each year is greater for consumers on tiered pricing.

Forecasting electricity supply costs and prices

In order to calculate RPP prices, the OEB forecasts the cost of supplying electricity to residential and small business consumers for the following 12 months. These forecasts, which assume normal weather conditions, include factors such as:

- a forecast of fuel prices such as natural gas and coal;
- a forecast of the amount of supply from each type of generation (nuclear, hydroelectric, coal, natural gas, etc.);
- a forecast of electricity demand or consumption; and
- any variance recovery (or the over/under-collected electricity costs) from the previous year.

For more information

RPP prices are one portion of total electricity bills and do not include other charges like delivery. For more information, visit the “Your Utility” section of the OEB’s consumer website at www.ontarioenergyboard.ca.

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For more information, please contact:

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