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Backgrounder

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May 1, 2008 Electricity Prices for Regulated Price Plan (RPP) consumers

- Highlights:**
- On May 1st, consumers who buy their electricity from their utility will continue to 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 600 kWh per month during the summer season, from May 1 to October 31 (and at 1,000 kWh per month for the winter season of November 1 to April 30).
 - 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.
 - The unchanged RPP tiered prices result primarily from the following offsetting factors.
 - It is forecast that natural gas prices will increase by about 22% and coal prices will increase by about 67%, relative to the previous forecast in October 2007. These increases in generator fuel prices are expected to result in higher electricity prices in the wholesale spot market.
 - However, those increases are expected to be largely offset by the Provincial Benefit and OPG Rebate, as well as a minor increase in the credit included in RPP prices to clear the surplus in the variance account over the next 12 months. The Provincial Benefit and OPG Rebate are explained below.
 - Specific hours for RPP time-of-use pricing periods are for consumers of utilities that:
 - have billing systems capable of charging time-of-use prices that vary throughout the day; and
 - have voluntarily implemented time-of-use pricing.
 - Although RPP tiered prices have remained unchanged, there has been a slight adjustment to RPP time-of-use prices – with the Off-peak price decreasing and prices for the other two periods increasing:

- **On-peak = 9.3 cents per kWh** (previously 8.7 cents)
- **Mid-peak = 7.3 cents per kWh** (previously 7.0 cents)
- **Off-peak = 2.7 cents per kWh** (previously 3.0 cents)

For the average consumer paying these time-of-use prices, these changes are expected to offset, as about 50% of consumption is during the Off-peak periods.

The ratio between time-of-use prices has been slowly converging over the past few price changes and the new time-of-use prices helps restore the original 1:2:3 ratio among the On-peak, Mid-peak and Off-peak prices. With these new time-of-use prices, consumers who shift some consumption from peak periods will benefit more.

Currently, 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 Newmarket Hydro.

Background The Regulated Price Plan applies to residential, small business and other “designated” consumers who use under 250,000 kWh/year and who buy their electricity from a utility. These consumers are charged a stable price for the electricity they use. The Board set these prices based on a forecast of the expected cost to supply RPP consumers from May 1, 2008 to April 30, 2009. The Board will review these prices in six months.

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 November 2007, the balance in the variance account has remained essentially the same.

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

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 credit of 0.1 cents per kWh in RPP prices effective May 1st.

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 0.7 cents per kWh.

Net Impact: The combined effect of the OPG Rebate and Provincial Benefit is 0.8 cents per kWh.

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

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 healthy 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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