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Backgrounder

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About the RPP

Prices set under the Ontario Energy Board's (OEB) Regulated Price Plan (RPP) apply to residential and small business consumers who do not have a contract with an electricity retailer. Both time-of-use (TOU) and tiered RPP prices are set to recover the total cost of supply, regardless of which of these prices (tiered or TOU) distributors use to bill their RPP consumers.

RPP prices are reviewed twice per year and are adjusted as required on May 1 and November 1. They make up about half the total bill and are shown on the "Electricity" line of bills.

TOU pricing

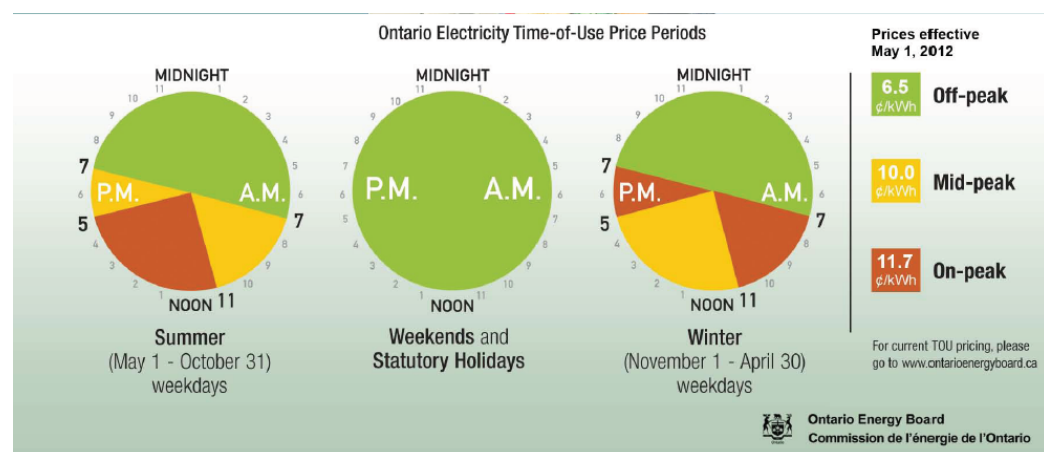
Time-of-use pricing is designed to encourage consumers to shift electricity use from high price periods (on-peak) to lower price periods (mid-peak and off-peak).

TOU pricing better reflects the cost of electricity supply. Prices in the market rise and fall during the day based on demand 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.

TOU prices take into account when, as well as how much electricity a consumer uses, as recorded by the consumer's smart meter.

Consumers who are not already paying TOU prices should check with their utility for information on when TOU pricing will start.

Winter & Summer TOU



View this graphic online:

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

Bill impact The price change for consumers on TOU pricing is an increase of approximately \$3.99 on the “Electricity” line, or about 3.3% on the total monthly bill, for a residential consumer with a typical consumption pattern who uses 800 kWh per month.

The price change for consumers paying tiered prices is an increase of approximately \$5.80 on the “Electricity” line, or about 5.1% on the total monthly bill, for a consumer using 800 kWh per month.

Residential consumers typically consume about 64% of their electricity during off-peak hours, and about 18% in each of mid-peak and on-peak hours.

Overall bill increases during the past year remain within the province’s Long-Term Energy Plan cost projections.

Why bill impacts differ (TOU vs. tiered) In the summer season (May 1 - Oct. 31), for residential consumers on tiered prices the lower price applies to the first 600 kWh of electricity used in a month (as opposed to the 1,000 kWh threshold that applies in the winter season). The bill impact of the May 1 price change is generally greater for consumers on tiered prices compared to those on TOU prices due to the change in the threshold. The opposite is generally true when prices change in November each year.

If the seasonal threshold remained at the 1,000 kWh winter level rather than decreasing to 600 kWh, the price change for consumers paying tiered prices would have been approximately \$3.20 per month, or about 2.8% of the total monthly bill.

What’s affecting prices Prices are changing principally because the forecast supply cost is changing. As coal generation continues to decline, it is being replaced with natural gas, nuclear and renewable generation. This includes refurbished units at the Bruce Nuclear Generating Station along with more wind and solar generation.

Forecasting electricity supply costs and prices To calculate RPP prices, the OEB forecasts the cost to supply electricity to residential and small business consumers for the next 12 months. These forecasts, which assume normal weather conditions, include factors such as:

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

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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