



Backgrounder

October 15, 2008

What is the RPP?

The Regulated Price Plan (RPP) is an electricity pricing structure designed to ensure consumers pay what it costs to supply their electricity while smoothing the daily price variations that occur in the market. When the Ontario Energy Board (OEB) sets prices, it adjusts for past differences between what consumers have paid and what it will cost to supply them over a 12-month forecast of future electricity costs. RPP prices are reviewed and adjusted twice a year in the spring (May 1) and in the fall (Nov. 1).

For *residential* consumers, the monthly threshold for the lower price is set at 1,000 kWh per month during the winter season, from November 1 to April 30 (and at 600 kWh per month for the summer season of May 1 to October 31).

For *non-residential* consumers eligible for the price plan, the threshold remains at 750 kWh per month for the entire year.

Consumers who currently buy their electricity from a retailer and are paying their contract price are not affected by changes in RPP prices.

Factors in November 1, 2008 Prices

Conservation / Gas-fired and Renewable Generation

Ontario Power Authority (OPA) spending on conservation and contracts for gas-fired and renewable generation is forecast to increase by about \$25 million per month.

There are a number of new gas fired and renewable generation projects going into service over the next 12 months. These include four large natural gas generators:

- the 1005 MW Greenfield Energy Centre;
- the 860 MW Goreway Station;
- the 570 MW St. Clair Energy Centre; and
- the 538 MW Portlands Energy Centre.

Under the Standard Offer Program, the following amount of renewable energy capacity is planned to come into service during the forecast period:

- 524 MW of wind,
- 54 MW of hydroelectric and biomass, and
- 264 MW of photovoltaic (solar).

Variance Account

The RPP variance account, managed by the OPA, tracks the difference between what consumers have paid versus what has been paid to generators. Since the last RPP price adjustment in May 2008, the positive balance in the variance account has declined substantially from about \$210 million to just over \$100 million, meaning a lower credit included in the RPP price.

CO₂ reduction

The estimated impact of the Government's directive to reduce carbon dioxide emissions from coal fired generation by a further 1/3 by 2011, which equates to meeting a limit of 19.6 million tonnes in 2009.

Other Price Factors

Ontario Power Generation (OPG) has applied to the OEB for an increase in payment amounts for its nuclear and large hydro plants. However, a Board decision on OPG's application has not yet been issued. The OEB believes that it would be prudent to take into account some effect of OPG's application for increased payment amounts.

The end of the OPG Rebate as of April 30, 2009. This has an impact because RPP prices are based on a 12-month forecast. The OPG Rebate, built into RPP prices, is paid to consumers when the spot market price exceeds the revenue cap set by the government on certain power generation facilities. This revenue cap will no longer apply in the last six months of the forecast period.

Time-of-Use (TOU) Prices

TOU prices have been adjusted for all three periods:

- **On-peak** price = 8.8 cents per kWh (down from 9.3 cents/kWh)
- **Mid-peak** price = 7.2 cents per kWh (down from 7.3 cents/kWh)
- **Off-peak** price = 4.0 cents per kWh (up from 2.7 cents/kWh)

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.

For more information

Visit www.oeb.gov.on.ca.

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