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Backgrounder

April 15, 2010

What is the RPP?

Both tiered and time-of-use prices form part of the OEB's Regulated Price Plan (RPP). The RPP is designed to ensure the price that residential and small business RPP consumers 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 time-of-use) 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.

Consumers who buy their electricity from a retailer pay the commodity price set out in their contracts and are not affected by changes in RPP prices.

If you are a customer that has a retail contract, you will also see a separate line item on your bill for what is called the Provincial Benefit (or "Global Adjustment"). For customers of a local utility on the RPP, the Provincial Benefit is factored into RPP prices.

The Provincial Benefit accounts for differences between the market price of electricity and rates paid to regulated and contracted generators.

What is the bill impact?

The estimated bill impact of the revised electricity prices for those on **tiered** pricing is about \$7.60/month, based on 800 kWh/month use, when compared to the prices that were in effect until April 30, 2010. This change to the electricity line equates to approximately 8% on the total bill.

The seasonal tier threshold change (from 1,000 kWh/month to 600 kWh/month) that affects consumers on tiered pricing accounts for about \$2/month of that estimated impact.

The estimated bill impact of the revised electricity prices for those on **time-of-use (TOU)** pricing (based on average TOU consumption patterns) is about \$5.79/month, based on 800 kWh/month use, when compared to the prices that were in effect until April 30, 2010. This change to the electricity line equates to approximately 5.8% on the total bill.

Why are electricity prices changing?

Primary factors contributing to the overall increase in RPP prices include:

- Payments going to renewable generation projects, gas plants, as well as conservation and demand management programs;
- New contracts for existing generation, including support payments for fossil fuel plants and for existing hydro generation;
- Recovery of the RPP variance account, managed by the Ontario Power Authority (OPA), which tracks the difference between what RPP consumers have paid versus what has been paid to generators that supply their electricity as well as costs associated with certain conservation and demand management programs.

**For more
information**

Electricity RPP prices are one portion of total 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.oeb.gov.on.ca.

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