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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.

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.

A residential or small business customer that has a retail contract will also see a separate line item on their bill for what is called the Provincial Benefit. For customers on the RPP, the Provincial Benefit is already factored in to RPP prices.

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

Pricing factors

Primary reasons why there is a change in RPP prices include:

- A forecasted increase in the market price of electricity is partially offset by a decrease in contract-based payments going to coal- and gas-fired generating plants.
- Electricity demand was higher than forecast during the summer months and nuclear production was lower than forecast in late spring. This means that the variance adjustment (which is 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 specific conservation and demand management programs) has changed from a charge to a credit.

Bill impact (tiered)

For RPP consumers paying tiered prices, the change in the seasonal tier threshold (from 600 kWh/month to 1,000 kWh/month) and the change in tiered prices results in a decrease of \$2.80/month in the estimated bill for residential consumers using 800 kWh of electricity per month. This is about a 2.6% reduction in the total bill.

Bill impact time-of-use (TOU)

For RPP consumers paying TOU prices, the different pricing time periods change from summer to winter and this can have a small impact on the bill. In addition, TOU consumption forecasts for the three TOU pricing periods can change from forecast to forecast. The estimated bill impact of today's change in TOU prices and of forecast changes in general consumption patterns over the three TOU pricing periods is a decrease of \$1.21, or about a 1.1% decrease in the total bill, for a residential consumer that uses 800 kWh of electricity per month.

Setting TOU Prices	<p>TOU prices are set to achieve a ratio between the different TOU pricing periods that both reflects the cost of RPP electricity supply while also providing an appropriate incentive to reduce overall consumption and/or shift consumption to lower priced periods.</p> <p>When residential and small business consumers reduce and/or shift some consumption to off-peak times, there can be a corresponding reduction in their own electricity costs. There can also be a corresponding reduction in costs for the system as a whole, by reducing the need for power that comes from the most expensive generators; that is, those generators that tend to run only during peak times.</p>
TOU Review	<p>The Board is committed to ensuring that TOU pricing is fair to consumers and appropriately encourages shifting electricity use away from higher priced peak periods. The Board is initiating a consultation process to review the methodology used for setting TOU prices. Preliminary work on this review, which was identified in our 2010-2014 business plan, began in the summer. As part of the consultation, the Board expects to release in the near future an analysis of the current TOU pricing structure and methodology compared to practices and experience elsewhere.</p> <p>More details on the consultation process can be found in a letter to all interested parties issued by the Board today.</p>
Other Board initiatives	<p>The Board has put into place improved customer service rules for electricity utilities. One of the new requirements is that, starting in April 2011, all utilities have to offer an equal payment plan to their residential consumers, which provides consumers with another tool to manage their electricity payments. Utilities are also required to carry out conservation programs, including programs that focus on reducing consumers' peak period demand on the electricity system. Lastly, the Board is working with utilities, social service agencies and consumer representatives to develop enhanced programs to help low-income energy consumers better manage their bill payments for the 2010-2011 heating season.</p>
TOU/Smart Meter status	<p>As of September 2010, there were approximately 4.3 million smart meters installed (92% of all residential and small business consumers on RPP) in Ontario. Of that number, 947,064 consumers were paying TOU prices.</p>
For more information	<p>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.oeb.gov.on.ca.</p>

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