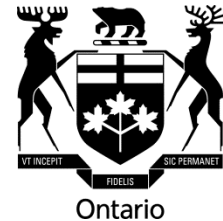


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## Backgrounder – May 1 electricity price change

April 16, 2014

<p><b>About Electricity Prices</b></p>	<p>The Ontario Energy Board reviews prices for households and small businesses twice each year, on May 1 and November 1.</p> <p>The price changes only affect households and small businesses who buy their electricity from their local utility.</p> <p>Electricity prices make up about half the total of an average household bill. These electricity prices are shown on one of the five line items on bills – the Electricity line (the others are Delivery, Regulatory Charges, Debt Retirement Charge and Ontario Clean Energy Benefit).</p>
<p><b>Time-of-use Pricing</b></p>	<p>With time-of-use prices, consumers pay different prices depending on when they use electricity.</p> <p>There are three time-of-use periods – on-peak, mid-peak and off-peak. Like cell phone plans, prices are lower in the evenings, on weekends and on holidays.</p> <p>Almost 4.6 million or 95.9% of households and small businesses in Ontario pay time-of-use prices.</p> <p>Time-of-use prices are designed to reflect the cost of electricity at different times of the day.</p> <p>They encourage households and small businesses to use electricity during lower-cost time periods. This can in turn ease pressure on the provincial power system. It can also benefit the environment.</p>
<p><b>Summer &amp; Winter Time-of-use Hours</b></p>	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Winter (Nov 1-Apr 30) - Weekdays</p> </div> <div style="text-align: center;"> <p>Summer (May 1-Oct 31) - Weekdays</p> </div> <div style="text-align: center;"> <p>Weekends &amp; Holidays</p> </div> </div> <div style="text-align: center; margin-top: 10px;"> <p>\$ off-peak    \$\$ mid-peak    \$\$\$ on-peak</p> </div>

The time-of-use price periods change each May 1 and November 1 – the same day prices are adjusted.

The difference between the summer and winter periods reflects differences in consumer habits.

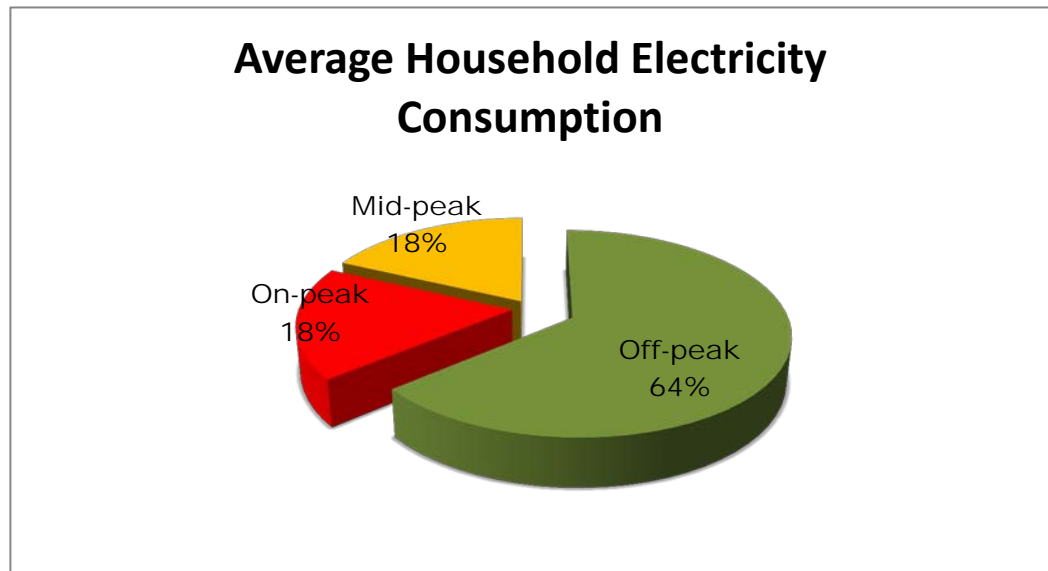
In summer, electricity use peaks during the hottest part of the day, when air conditioners are running on high.

In winter, less daylight means electricity use peaks twice: once in the morning when people wake up and turn on their lights and appliances and again when people get home from work.

**When a Typical Household Uses Most of its Electricity**

On average households currently use most of their power, almost two-thirds of it, during off-peak hours.

A recent report prepared for the OEB shows that households appear to be responding to time-of-use prices by using less electricity during on-peak hours and more during off-peak hours. Along with conservation, this means electricity bills for households are estimated to be \$12 lower per year for each customer than they would have been otherwise.



**New Summer Time-of-use Electricity Prices**

Category	Time(s)	New Summer Price	Change
<b>Off-peak</b>	Weekdays 7pm-7am All day weekends and holidays	7.5 ¢/kWh	(↑0.3 cents)
<b>Mid-peak</b>	Weekdays 7-11am and 5-7pm	11.2 ¢/kWh	(↑0.3 cents)
<b>On-peak</b>	Weekdays 11am-5pm	13.5 ¢/kWh	(↑0.6 cents)

**Bill Impact of New Prices**

The price for consumers is increasing by approximately \$2.83 per month on the “Electricity” line, or about 2.4% on the total bill, for a household with a typical consumption pattern of 800 kWh per month.

<b>Reasons for Changes</b>	<p>The Ontario Energy Board sets electricity prices based on updated cost estimates.</p> <p>The market price of natural gas has risen during the long winter. The impact of forecast higher gas prices is cushioned due to previously signed contracts with natural gas and other generators.</p> <p>The forecast for higher costs includes more generation in the next 12 months from sources including renewables.</p> <p>Another factor in this price change involves the variation between previous estimates and actual costs. Actual costs can be higher or lower than the Board estimated during previous price settings. Since November 1, 2013, more money was collected from ratepayers than it cost to supply them with electricity. This difference is tracked as a credit to ratepayers. As this credit is returned to ratepayers, the new prices are slightly lower than they would otherwise be.</p>
<b>Why Prices Depend on the Time Electricity is Used</b>	<p>As demand rises, so does the cost of electricity.</p> <p>Ontario's electricity grid is fed by lower cost power when demand is lower. Known as baseload generation, this power largely comes from nuclear and large hydroelectric facilities. When demand is high and all baseload power is used, the province must turn to higher-cost generators. Those power sources generally include some natural gas-fired plants (those intended only for use during times of high demand) and some renewable generators.</p>
<b>Setting Electricity Prices</b>	<p>The Ontario Energy Board calculates how much it will cost to supply households and small businesses in the province with electricity for the following year. Many factors go into this estimate, including:</p> <ul style="list-style-type: none"> <li>• The amount of power those consumers are expected to use</li> <li>• The projected price of different types of fuel during that time</li> <li>• The types of power that will be available (i.e. how much nuclear, hydroelectric, natural gas, renewable), and at what cost</li> <li>• The accuracy of previous projections</li> </ul> <p>The OEB then sets prices for each of the three time-of-use periods based on allocating the estimated supply costs for each period.</p>
<b>Contracts</b>	<p>A small number of electricity consumers – fewer than 1 in 10 – get their power from an electricity retailer rather than their local utility.</p> <p>Those consumers continue to pay the prices stated in their contract.</p> <p>They are, however, subject to a fluctuating rate known as the Global Adjustment. The Global Adjustment appears as a separate charge on their electricity bill. It is designed to cover the difference between electricity market prices and the actual payments many generators receive. It also covers the cost of conservation and demand management programs.</p> <p>Global Adjustment costs are incorporated into the electricity prices for consumers who pay the prices set by the OEB.</p>
<b>Tiered Prices</b>	<p>A small number of consumers – again, fewer than 1 in 10 – are still on the old</p>

pricing system, known as tiered pricing. The changes for these consumers are:

**New Tiered Prices for Households**

	<b>Summer Threshold</b>	<b>New Summer Price</b>	<b>Change</b>
<b>1<sup>st</sup> Level</b>	Up to 600 kWh/month	8.6 ¢/kWh	↑ 0.3 cents
<b>2<sup>nd</sup> Level</b>	Everything over 600 kWh/month	10.1 ¢/kWh	↑ 0.4 cents

\* The threshold for small businesses stays at 750 kWh/month all year.

**For more  
information**

For more information, visit the OEB's consumer website at [www.ontarioenergyboard.ca](http://www.ontarioenergyboard.ca).

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