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Backgrounder

April 15, 2009

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 600 kWh per month during the summer season from May 1 to October 31 (and at 1,000 kWh per month for the winter season from November 1 to April 30).

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 May 1, 2009 Prices

Primary factors contributing to the 0.1 cent per kWh increase in RPP prices include:

- Increased payments for output from Ontario Power Generation's (OPG) regulated nuclear and large hydro assets.
- End of the OPG Rebate for OPG's coal and small hydro assets. The OPG Rebate reflects the government cap on the amount paid to certain generation facilities owned by OPG. Consumers received a rebate for any revenues from facilities exceeding the cap.
- An expected increase in payments under the contract with Bruce Power.

Relative to the previous forecast, factors that are expected to partially offset the impact of those above are driven by the decline in the economy and include:

- A significant reduction in wholesale electricity market prices, primarily due to lower energy demand.
- Lower natural gas prices, which significantly reduces the cost to operate gas-fired generators.

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 November 2008, the positive balance in the variance account has increased from about \$120 million to just over \$137 million, meaning a higher credit included in the RPP price.

Time-of-Use (TOU) Prices Time-of-Use prices only apply to a small subset of consumers (about 35,000) at this time. This currently includes some consumers with Milton Hydro as well as Newmarket and Tay Hydro.

For more information Visit www.oeb.gov.on.ca.

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Ce document est aussi disponible en français.