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Backgrounder

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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 price variations that occur in the market. When the Ontario Energy Board (OEB) sets prices, it adjusts for past differences between what consumers paid and what it cost to supply them, as well as reflecting a 12-month forecast of future electricity costs. RPP prices are reviewed twice a year and are adjusted as required (effective May 1 and November 1).

For consumers that are not on time-of-use pricing (see below), the RPP has two prices. For *residential* consumers, a lower price applies to the first 1,000 kWh that is used in a month during the winter season. A higher price applies to consumption above that threshold (in the summer season from May 1 to October 31, the monthly threshold is set at 600 kWh per month).

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

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

Factors in Nov. 1, 2009 Prices

Primary factors contributing to the 0.1 cent per kWh increase in the tiered RPP prices (and to the increase in the time-of-use prices) that will be effective as of November 1, 2009 include:

1. New payments to OPG's Lambton / Nanticoke coal plants which are related to the carbon dioxide emission limits placed on the coal plants by the government to improve air quality.
2. Lower Ontario electricity demand (which means that certain fixed dollar amounts need to be recovered across less consumption)
3. Lower surplus in the variance account means a reduction in the credit included in RPP prices (to clear the surplus in the variance account) (see below).

Factors that have partially offset the impact of the above (in other words, that have limited the price increases that would otherwise have resulted from the above factors) include:

- Lower forecast market prices paid to certain generators that are not paid regulated or contracted prices;
- Lower forecast natural gas prices, which reduces the cost to operate gas-fired generation plants; and
- Lower regulated payments paid for OPG's regulated (nuclear and large hydroelectric) facilities beginning January 1, 2010.

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 2009, the positive balance in the variance account has decreased to \$105M, down \$32M from \$137M (in previous forecast). This reduces the credit included in RPP prices, which translates to a price increase.

Provincial Benefit Currently, the Provincial Benefit accounts primarily for differences between the market price of electricity and the prices paid to regulated and contracted generators. If the market price of electricity is lower than those regulated and contracted prices, the Provincial Benefit will be a charge to consumers in order to pay for those regulated and contracted prices. If the market price is higher, the Provincial Benefit will be a credit to consumers.

RPP prices include forecast amounts for the Provincial Benefit. As such, consumers on the RPP do not see the Provincial Benefit as a line item on their bills. By contrast, consumers on retailer contracts have a separate line item on their bills for the Provincial Benefit.

Time-of-Use (TOU) Prices In addition to the tiered prices described above, the Board also sets RPP time-of-use prices. Time-of-use prices only apply to a small subset of consumers at this time. Only customers of Milton (all), Newmarket (all residential), some Toronto Hydro, and some PowerStream (starting Nov. 1) are expected to be billed on the basis of the RPP time-of-use prices over the next six month period.

Typical Consumer The OEB is now using **800kWh/month** to represent the typical consumption of an individual residential electricity customer. The new figure more accurately reflects typical monthly consumption than the previously used 1,000 kWh/month.

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

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