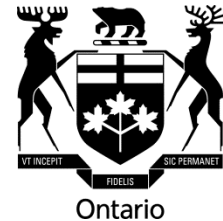


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Backgrounder – November 1 electricity price change

October 19, 2016

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| <p>About Electricity Prices</p> | <p>The OEB reviews commodity prices for Ontario’s residential and small business customers on the Regulated Price Plan (RPP) twice each year on May 1 and Nov. 1. These prices are shown in the electricity line of the bill as Time-of-Use pricing.</p> <p>The electricity prices the OEB sets are only paid by households and small businesses who buy their electricity from their local utility.</p> <p>Electricity costs make up more than half the total of a typical household bill. Electricity prices are shown on one of the four line items on bills – the Electricity line. The other lines of the bill are Delivery, Regulatory Charges and the Debt Retirement Charge (for businesses).</p> |
| <p>What will electricity prices be on Nov. 1?</p> | <p>Time-of-Use (TOU) prices established through the Regulated Price Plan (RPP) and reflected in the “Electricity” line of utility bills will remain unchanged from the current price, which has been in effect since May 1, 2016.</p> <p>After reviewing a forecast of all the factors that determine electricity costs, the OEB determined the prices it set for May 1, 2016 will still be effective in recovering forecast costs. Prices for customers who pay RPP tiered prices will likewise stay the same.</p> |
| <p>What is the Regulated Price Plan?</p> | <p>The Regulated Price Plan (RPP) was developed by the Ontario Energy Board to provide stable and predictable electricity pricing, encourage conservation and ensure the price paid by consumers for electricity better reflects the price paid to generators.</p> <p>Nearly all of Ontario’s almost 5 million residential and small business customers pay electricity prices established through the RPP.</p> |
| <p>How does the RPP work?</p> | <p>The OEB reviews these prices every six months – on May 1 and Nov. 1 – and forecasts how much it will cost to supply consumers with electricity. Based on the forecast, prices are established to recover actual costs over time.</p> <p>Our forecast takes into account:</p> <ul style="list-style-type: none"> • Historic usage patterns for RPP customers (or how and when RPP customers use electricity); • How much electricity we expect will be used for the next 12 months; and • How much we expect to pay for electricity from all energy suppliers. <p>While the forecast is reliable, it’s an approximation based on the best information we have available. Actual revenues collected typically turn out to be somewhat higher or lower than the amount forecasted, depending on factors such as how much electricity customers ultimately use.</p> |

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| | <p>We review the differences between actual costs and forecasts and adjust prices accordingly so we can be sure to recover actual costs over time. That's been a feature since this rate review came into place a decade ago.</p> |
| <p>What influences electricity usage?</p> | <p>The single largest influence on household electricity usage is weather. Our usage forecasts are based on average weather patterns. When the summer is hotter than usual consumers rely more heavily on electricity for cooling and when the winter is colder usual consumers rely more heavily indoor heating, some of which is fuelled by electricity.</p> <p>Typical changes in the weather from year to year mean the price we forecast never recovers the exact cost of the electricity RPP customers use; this effect is magnified when weather is extreme. Our price reviews always include an adjustment factor to make up for any difference. Sometimes the adjustment can be bigger when recent weather has been atypical.</p> |
| <p>Time-of-use Pricing</p> | <p>Customers pay different prices depending on what time of day they use electricity.</p> <p>There are three time-of-use periods – on-peak (the most costly), mid-peak (the middle range of the three prices) and off-peak (the least costly). While TOU prices won't change, times for on-peak and mid-peak prices will change on Nov. 1, 2016 to reflect the change to the winter season.</p> <p>Time-of-use prices are designed to 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>Ninety-seven per cent of customers on the Regulated Price Plan pay time-of-use prices.</p> |
| <p>Price difference between on/off peak</p> | <p>The TOU prices in each period are set in combination to recover the actual costs of electricity.</p> <p>The off-peak price is a little less than half the cost of the on-peak price. This encourages consumers to conserve power when it costs most.</p> |
| <p>Summer & Winter Time-of-Use Hours</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 & Holidays</p> </div> </div> <div style="text-align: center; margin-top: 10px;"> <p> \$ off-peak \$\$ mid-peak \$\$\$ on-peak </p> </div> <p style="text-align: center; margin-top: 20px;">The TOU price periods change each May 1 and November 1 (the same day prices are adjusted)</p> |

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| | <p>The difference between the summer and winter periods reflects differences in consumer habits. In summer, electricity use typically 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.</p> |
| Bill Impact of New Prices | <p>The Nov. 1 RPP price reflected in the “Electricity” line of utility bills will remain unchanged from the current rate, which has been in effect since May 2016.</p> |
| Why Prices Depend on the Time Electricity is Used | <p>Time-of-use electricity prices are like many cell phone rates, which are cheapest when demand is lowest: during the evenings, on weekends and on holidays.</p> <p>In Ontario, when demand is lower, most of the power we use comes from sources like nuclear generators and large hydroelectric stations, which are designed to run all the time. This is called “baseload” power.</p> <p>As daytime begins, more people and businesses turn on their lights, appliances and devices. When demand is higher, and all of the baseload power is used, the province turns to generally higher-cost sources. These sources, such as natural gas-fired plants, can be quickly called into action to meet rising demand. Other kinds of renewables such as solar and wind contribute to our power needs when they are available.</p> |
| Setting Electricity Prices | <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. Supply cost estimates assume normal weather conditions and include:</p> <ul style="list-style-type: none"> • Price estimates for fuel sources like natural gas, solar, nuclear and hydroelectric • Estimates of how much supply from each type of generation is expected to be available • How much electricity we expect customers to use over the coming year; and • How much has been over or under-collected in the previous year. <p>The OEB then sets prices for each of the three time-of-use periods in order to recover expected costs while providing incentives and opportunities for customers to reduce their bills by shifting their time of electricity use.</p> |
| Contracts | <p>A small number of electricity customers – fewer than 1 in 10 – get their power from an electricity retailer rather than their local utility.</p> <p>Those customers continue to pay the prices stated in their contract, regardless of adjustments to RPP prices.</p> |
| Tiered Prices | <p>A small number of customers – again, fewer than 1 in 10 – are still on the old pricing system, known as tiered pricing. Prices for customers who pay RPP tiered prices will likewise stay the same. The threshold until which the Tier 1 price applies will rise as usual to 1,000 kWh on November 1, 2016 to reflect the switch to the winter price structure.</p> |
| The Typical Residential Customer | <p>The OEB used to define the typical residential customer as a household that consumed 800 kWh of electricity per month. A recent review indicates that average residential consumption has declined significantly since the standard was last established. As a result, the OEB has determined that the standard used for</p> |

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| | illustrative purposes should now be 750 kWh per month. For more information see: Report of the Ontario Energy Board Defining Ontario's Typical Electricity Customer . |
| For more information | For more information, visit the OEB's consumer website at www.ontarioenergyboard.ca . |

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