



**Regulated Price Plan Prices and the
Global Adjustment Modifier for the
Period
May 1, 2019 to October 31, 2019**

Ontario Energy Board

April 17, 2019

Executive Summary

This is the third time that the Ontario Energy Board (OEB) is setting Regulated Price Plan (RPP) prices and a corresponding reduction in Global Adjustment charges (the GA Modifier) under the *Ontario Fair Hydro Plan Act, 2017* (OFHP Act).¹

Under the OFHP Act, electricity bill mitigation is implemented through RPP prices for eligible consumers that pay those prices. For consumers that are eligible for electricity bill relief under the OFHP Act but are not paying RPP prices, electricity bill mitigation is implemented through the GA Modifier.

The RPP prices and GA Modifier determined by the OEB for the July 1, 2017 to April 30, 2018 period were set out in the OEB's *Regulated Price Plan Prices and the Global Adjustment Modifier for the Period July 1, 2017 to April 30, 2018* report issued on June 22, 2017. The RPP prices and GA Modifier determined by the OEB for the May 1, 2018 to April 30, 2019 period were set out in the OEB's *Regulated Price Plan Prices and the Global Adjustment Modifier for the Period May 1, 2018 to April 30, 2019* report issued on April 19, 2018.

Amendments to Ontario Regulation 195/17 (Fair Adjustment under Part II of the Act) that came into force on March 22, 2019 require that the OEB set RPP prices and the GA Modifier only for the six-month period from May 1, 2019 to October 31, 2019, and that it do so using a revised methodology. Based on this revised methodology, the RPP prices and GA Modifier that will be in effect between May 1, 2019 and October 31, 2019 have been set by the OEB as follows:

Table 1: RPP Prices and GA Modifier: May 1, 2019 to October 31, 2019

Time-of-Use (TOU) RPP Prices	Off-Peak	Mid-Peak	On-Peak	Average Price
Price per kWh	6.5¢	9.4¢	13.4¢	8.2¢
% of TOU Consumption	65%	17%	18%	
Tiered RPP Prices	Tier 1	Tier 2	Average Price	
Price per kWh	7.7¢	8.9¢	8.2¢	
% of Tiered Consumption	55%	45%		
GA Modifier				
GA Modifier per MWh				-\$41.49

This report describes the methodology that the OEB has followed to determine the new RPP prices and GA Modifier set out in Table 1, by reference to the relevant requirements of the OFHP Act and supporting regulation.

¹ On March 21, 2019, the government introduced Bill 87, the *Fixing the Hydro Mess Act, 2019*. If passed, the provisions of the OFHP Act under which the OEB has been setting RPP prices since July 1, 2017 will be repealed.

1. New RPP Prices

A. Overview of the legislative framework

Under the OFHP Act, the OEB must set new RPP prices that will apply between May 1, 2019 and October 31, 2019. These prices are to be set under section 11 of the OFHP Act using the methodology detailed in section 5.1 of Ontario Regulation 195/17 (Fair Adjustment under Part II of the Act) (OFHP Regulation).

The OFHP Act and OFHP Regulation require a comparative exercise. For the May 1, 2019 to October 31, 2019 period, prices are to be set such that the May 1, 2019 bill for the “hypothetical regulated rate consumer” (referred to in this report as the proxy customer) increases by the rate of inflation relative to the proxy customer’s bill on May 1, 2018. The RPP prices that result from this exercise will apply to all RPP consumers.

The OFHP Regulation prescribes important elements of the methodology to be used by the OEB in setting RPP prices, as further described in greater detail in the following sections of this report. For the purposes of the May 1, 2019 to October 31, 2019 price setting, these elements include:

- i. The attributes of the proxy customer, including that the consumer is a residential consumer who purchases electricity directly from a rate-regulated distributor², and is invoiced for electricity based on time-of-use (TOU).
- ii. The attributes of two total invoice amounts:
 - a. “Total Invoice Amount D”, representing an electricity bill (Invoice D) for the proxy customer based on: RPP prices in effect on May 1, 2018; a consumer weighted average amount for delivery and regulatory charges³ based on the monthly rates and charges for residential consumers served by rate-regulated distributors in effect on May 1, 2018; and applicable HST.
 - b. “Total Invoice Amount E”, representing an electricity bill (Invoice E) for the proxy customer based on: what RPP prices need to be to achieve the rate of inflation increase; a consumer weighted average amount for delivery and regulatory charges based on the monthly rates and charges for consumers served by rate-regulated distributors as set out in rate orders issued by the OEB on or before March 31, 2019

² The OFHP Regulation defines a rate-regulated distributor as a distributor whose rates for the distribution of electricity are approved by an order issued by the OEB under section 78 of the *Ontario Energy Board Act, 1998*. Among the other attributes of the proxy customer is that the customer does not have an account with Hydro One Remote Communities Inc. or Algoma Power Inc. The rates and charges for those two electricity distributors are also excluded from the calculation of Total Invoice Amount D and Total Invoice Amount E. References to rate-regulated distributors in this report should be interpreted accordingly.

³ The OFHP Regulation defines “delivery charges” and “regulatory charges” by reference to Ontario Regulation 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity).

and in effect on May 1, 2019; and applicable HST.

- iii. A requirement to take into account any financial assistance under the *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA) when determining “Total Invoice Amount D” and “Total Invoice Amount E”.
- iv. How the rate of inflation is to be determined.

B. *The proxy customer*

As described in the OFHP Regulation, the proxy customer is a residential service class customer paying RPP TOU prices who uses 700 kWh in a month and has a TOU consumption profile equal to the long-term aggregate RPP TOU pool (65% of consumption in off-peak periods, 17% in mid-peak periods, and 18% in on-peak periods) used by the OEB to set RPP TOU prices.

C. *The components of Invoice D and Invoice E*

As set out in the OFHP Regulation, Invoice D and Invoice E are comprised of the invoice amounts shown in Table 2.

Table 2: Components of Invoice D and Invoice E for the Proxy Customer

Components ⁴	Invoice D	Invoice E
i. Electricity	RPP prices set by the OEB effective May 1, 2018	New RPP prices set by the OEB to be effective May 1, 2019
ii. Delivery	The consumer weighted average amount in respect of delivery charges, as determined by the OEB based on: (a) the monthly rates and charges for residential service class consumers served by rate-regulated distributors; and (b) the number of consumers as reported to the OEB by rate-regulated distributors for the calendar year 2017. The monthly rates and charges are as set out in rate orders issued by the OEB on or before May 1, 2018 and in effect on that day, adjusted where applicable under section 79.3 of the <i>Ontario Energy Board Act, 1998</i> (the “Distribution Rate Protection” program) in accordance with the order of the OEB issued on June 22, 2017. ⁵	The consumer weighted average amount in respect of delivery charges, as determined by the OEB based on: (a) the monthly rates and charges for residential service class consumers served by rate-regulated distributors; and (b) the number of consumers as reported to the OEB by rate-regulated distributors for the calendar year 2017. The monthly rates and charges are as set out in rate orders issued by the OEB on or before March 31, 2019 and in effect on May 1, 2019, adjusted where applicable under section 79.3 of the <i>Ontario Energy Board Act, 1998</i> (the “Distribution Rate Protection” program) in accordance with the order of the OEB issued on June 21, 2018. ⁶
iii. Regulatory	The consumer weighted average amount in respect of regulatory charges, as determined by the OEB based on: (a) the monthly rates and charges for residential service class consumers served by rate-regulated distributors; and (b) the number of consumers as reported to the OEB by rate-regulated distributors for the calendar year 2017. The monthly charge for the standard supply service administration charge is as set out in rate orders issued by the OEB on or before May 1, 2018 and in effect on that day, with all other rates and charges being as set out in the order issued by the OEB on December 20, 2017. ⁷	The consumer weighted average amount in respect of regulatory charges, as determined by the OEB based on: (a) the monthly rates and charges for residential service class consumers served by rate-regulated distributors; and (b) the number of consumers as reported to the OEB by rate-regulated distributors for the calendar year 2017. The monthly charge for the standard supply service administration charge is as set out in rate orders issued by the OEB on or before March 31, 2019 and in effect on May 1, 2019, with all other rates and charges being as set out in the order issued by the OEB on December 20, 2018. ⁸
iv. 8% ORECA Rebate	Applied	Applied
v. HST	Applied to items (i) to (iii)	Applied to items (i) to (iii)
Total	Total Invoice Amount D	Total Invoice Amount E, which must be higher than Total Invoice Amount D by the rate of inflation

⁴ Section 1(5) of the OFHP Regulation provides that the following types of amounts are to be excluded from Invoices D and Invoice E: (i) the balance of any amounts carried forward from previous invoices; (ii) penalties or interest; (iii) charges that do not relate to the consumption of electricity; (iv) any fixed monthly service charge payable by a microFIT generation facility; (v) any specific service charges or retail service charges; and (vi) HST on any of (i) to (v).

⁵ Decision and Order *In the matter of the Rural or Remote Electricity Rate Protection charge and Distribution Rate Protection effective July 1, 2017*, June 22, 2017 (EB-2017-0234).

⁶ Decision and Order *In the matter of Distribution Rate Protection effective July 1, 2018*, June 21, 2018 (EB-2018-0192).

⁷ Decision and Order *In the matter of regulatory charges effective January 1, 2018, for the Wholesale Market Service charge and the Rural or Remote Electricity Rate Protection charge*, December 20, 2017 (EB-2017-0333).

⁸ Decision and Order *In the matter of regulatory charges effective January 1, 2019, for the Wholesale Market Services rate and the Rural or Remote Electricity Rate Protection charge*, December 20, 2018 (EB-2018-0294).

D. Calculating Invoice Amount D

As described in the OFHP Regulation, Total Invoice Amount D represents the electricity bill that would have been received by the proxy customer for electricity consumed on May 1, 2018. Invoice Amount D is the sum of invoice amounts described in Table 2 above.

On the basis of these inputs and the consumption assumptions and criteria for the proxy customer as set out in the OFHP Regulation, Total Invoice Amount D for the proxy customer is \$113.17, inclusive of HST, as shown in Table 3.

Table 3: Total Invoice Amount D

		Total Invoice Amount D
	Electricity	
1	Off-peak	\$29.58
2	Mid-peak	\$11.19
3	On-peak	\$16.63
	Delivery	
4	Cost of losses ⁹	\$2.93
5	Distribution and Transmission	\$44.33
	Regulatory	
6	RRRP	\$0.22
7	Other	\$2.90
8	Subtotal	\$107.78
9	HST	\$14.01
10	8% Rebate	-\$8.62
11	Total	\$113.17

E. Setting RPP TOU prices for Invoice E

The OFHP Regulation specifies that the RPP prices for the May 1, 2019 to October 31, 2019 period are to be set such that Total Invoice Amount E is higher than Total Invoice Amount D by the rate of inflation. The first step in determining RPP TOU prices for Invoice E is therefore to determine the rate of inflation.

For the purposes of the May 1, 2019 to October 31, 2019 price setting, the OFHP Regulation describes the rate of inflation as “the percentage change between the value of the Ontario Consumer Price Index

⁹ The OFHP Regulation stipulates that losses are to be addressed for Invoice D based on the loss factors set out in rate orders issued by the OEB on or before May 1, 2018 and in effect on that day.

for the month of February 2018 and the value of the Ontario Consumer Price Index for the month of February 2019”. The “Ontario Consumer Price Index” is defined in the OFHP Regulation as meaning the Consumer Price Index for Ontario (All-items) as reported monthly by Statistics Canada under the authority of the *Statistics Act* (Canada).

Table 4 below shows the value of the Ontario Consumer Price Index for each of February 2018 and February 2019. The percentage change between these two values is 1.49%. RPP prices are therefore being set by the OEB such that Total Invoice Amount E is as close as feasible to \$114.86 (this being 1.49% greater than the \$113.17 calculated for Total Invoice Amount D).

Table 4: Monthly Ontario Consumer Price Index (February 2018 and February 2019)¹⁰

Month	Ontario Consumer Price Index	Month	Ontario Consumer Price Index
Feb 2018	134.0	Feb 2019	136.0

The next step is to account for the impact of the HST and the 8% ORECA rebate that yields a pre-tax subtotal for Invoice E of \$109.39 as shown on line 8 of Table 5.

The next step is to account for delivery charges, other than the cost of losses, and regulatory charges. As shown in lines 6 and 7 in Table 5 below, regulatory charges total \$3.12 for both Invoice D and Invoice E. The electricity line cost and the cost of losses must therefore total as close as feasible to \$60.63 (this being the subtotal of \$109.39 minus \$3.12 for regulatory charges and minus \$45.64 for transmission and distribution charges).

¹⁰ <https://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/cpis01g-eng.htm>

Table 5: Total Invoice Amount D and Target Invoice Amount E

		Total Invoice Amount D	Target Invoice Amount E
Electricity			
1	Off-peak	\$29.58	TO BE DETERMINED
2	Mid-peak	\$11.19	
3	On-peak	\$16.63	
Delivery			
4	Cost of losses ¹¹	\$2.93	45.64
5	Distribution and Transmission	\$44.33	
Regulatory			
6	RRRP	\$0.22	\$0.22
7	Other	\$2.90	\$2.90
8	Subtotal	\$107.78	\$109.39
9	HST	\$14.01	\$14.22
10	8% Rebate	-\$8.62	-\$8.75
11	Total	113.17	114.86

Accordingly, new RPP prices have been set such that the total charges on lines 1-4 in Table 5 provide, as close as is feasible, the targeted rate of inflation increase for the proxy customer given the prescribed consumption profile for that customer. The resulting TOU RPP prices are shown in Table 6, and their application to Invoice E is shown in Table 7.

Table 6: Time-of-Use RPP Rates to Achieve Invoice Amount E

	Off-Peak	Mid-Peak	On-Peak	Average Price
Price per kWh	6.5¢	9.4¢	13.4¢	8.2¢
% of TOU Consumption	65%	17%	18%	

¹¹ The OFHP Regulation stipulates that losses are to be addressed for Invoice D based on the loss factors set out in rate orders issued by the OEB on or before May 1, 2018 and in effect on that day, and for Invoice E based on the loss factors set out in rate orders issued by the OEB on or before March 31, 2019 and in effect on May 1, 2019.

Table 7: Total Invoice Amounts D and E for the Proxy Customer (\$)

		Total Invoice Amount D	Target Invoice Amount E
	Electricity		
1	Off-peak	\$29.58	\$29.58
2	Mid-peak	\$11.19	\$11.19
3	On-peak	\$16.63	\$16.88
	Delivery		
4	Cost of losses	\$2.93	\$2.93
5	Distribution and Transmission	\$44.33	\$45.64
	Regulatory		
6	RRRP	\$0.22	\$0.22
7	Other	\$2.90	\$2.90
8	Subtotal	\$107.78	\$109.34
9	HST	\$14.01	\$14.21
10	8% Rebate	-\$8.62	-\$8.75
11	Total	\$113.17	\$114.80

The new RPP TOU prices shown in Table 6 generally maintain the overall on-, mid- and off-peak price ratios that pre-date the OFHP Act. Furthermore, this approach continues to provide customers with opportunities and incentives to reduce their peak demand and shift consumption to off-peak periods, consistent with policy objectives.

When applied to the proxy customer's bill using the prescribed TOU consumption profile, the resulting electricity line cost is \$57.65 and the cost of losses is \$2.93, as shown on lines 1-3 and line 4, respectively, in Table 7. The resulting Total Invoice Amount E (\$114.80) is slightly lower (by \$0.06) than the target amount of \$114.86 that would have achieved a precise rate of inflation increase.

These TOU prices apply to the time-of-use periods defined in Appendix A to this report.

F. Tiered prices

Nearly all RPP residential customers and many small business customers pay TOU prices. However, a comparatively small number of RPP residential customers have tiered pricing because their electricity use is not billed using a smart meter, and the same is also true of some RPP small business customers. Approximately 55% of the consumption of these customers is forecast to be in Tier 1, and 45% in Tier 2.¹²

RPP tiered prices are set such that the weighted average price will come as close as possible to the average supply cost for RPP consumers (RPA), based on the forecast ratio of Tier 1 to Tier 2

¹² See the OEB's April 17, 2019 *Regulated Price Plan Supply Cost Report: May 1, 2019 to April 30, 2020*.

consumption, and maintaining a 15-17% difference between Tier 1 and Tier 2 prices. This difference aligns with the ratio between the upper and lower tier prices that were set out in regulation before the OEB started to set RPP prices (i.e., the ratio between 4.7 and 5.5 cents per kWh). As shown in Table 6, the new RPP TOU prices reflect an RPA of 8.2 cents per kWh overall. Using these design criteria, an RPA of 8.2 cents per kWh yields the following tiered prices:

- Tier 1 price: 7.7¢/kWh
- Tier 2 price: 8.9¢/kWh

These tiered prices apply to the tiers defined in Appendix A of this report.

2. The GA Modifier

A. Overview of the legislative framework

The OFHP Act provides bill mitigation to all customers that are “specified customers” as defined in the OFHP Act. In addition to customers that are eligible for and paying RPP prices, “specified customers” include:

- customers that are eligible for the RPP, but have opted out for a retail contract or for market-based pricing; and
- customers that are not eligible for the RPP but are eligible for the 8% ORECA rebate.

Because these customers are not paying RPP prices, a different mechanism is required to provide them with bill relief under the OFHP Act.

Unlike RPP customers, whose share of the Global Adjustment (GA) is included in their RPP prices, these customers pay their share of the GA separately based on the GA (or the GA rate) that is calculated monthly by the Independent Electricity System Operator (IESO). Under the OFHP Regulation, these customers receive bill relief in the form of a reduction to the GA charges that they would otherwise pay. To that end, the OEB is required to set an amount – the GA Modifier – that electricity distributors and others will apply to reduce the GA payable by these customers.

As set out in the OFHP Regulation, for the period May 1, 2019 to October 31, 2019 the GA Modifier is to be set by the OEB as a dollar per megawatt-hour amount that represents the difference between:

- the RPP prices that would have been effective May 1, 2019 if determined by the OEB under section 79.16(1)(b) of the *Ontario Energy Board Act, 1998* without taking into account any forecasted impact of the OFHP Act; and
- the new RPP prices set by the OEB under the OFHP Act (in other words, the RPP prices applicable to Invoice E).

B. Determining the GA Modifier

Using the methodology applicable to the setting of RPP prices under section 79.16 of the *Ontario Energy Board Act, 1998*, the OEB has calculated that the average cost of supply for RPP consumers without taking into account any forecasted impact of the OFHP Act is \$123.89/MWh for the period May 1, 2019 to October 31, 2019. This average cost yields RPP TOU prices of 9.8 cents, 14.3 cents, and 19.9 cents per kilowatt-hour for off-, mid- and on-peak prices, respectively.¹³

As shown in Table 8, the difference in the resulting electricity price as between the two sets of RPP prices is \$29.04 for a customer using 700 kWh in a billing period. The OFHP Regulation requires that this

¹³ See the OEB’s April 17, 2019 *Regulated Price Plan Supply Cost Report: May 1, 2019 to April 30, 2020*.

difference be presented as a dollar per megawatt-hour (1,000 kWh) amount. This yields a value of \$41.49 (\$29.04 / 0.70) per megawatt-hour, as also shown in Table 7. The GA modifier that will be in effect between May 1, 2019, and October 31, 2019 is therefore -\$41.49 MWh.

Table 8: GA Modifier Calculation¹⁴

	Electricity Cost Without FHP	Electricity Cost in Invoice E	Difference
Electricity Charges (\$/Month)	\$86.68 ¹⁵	\$57.65	-\$29.04
GA Modifier (\$/MWh)			-\$41.49

¹⁴ Due to rounding, amounts shown in Table 8 may not exactly match totals.

¹⁵ Calculated using the RPP TOU prices that would have been effective on May 1, 2019 if they had been determined under section 79.16 of the Ontario Energy Board Act, 1998, as set out in the OEB's April 17, 2019 Regulated Price Plan Supply Cost Report: May 1, 2019 to April 30, 2020.

Appendix A

A. *Time of Use Prices*

Consumers with eligible time-of-use (or “smart”) meters that can determine when electricity is consumed during the day will pay under a time-of-use price structure. The prices for this plan are based on three TOU periods referred to as Off-Peak, Mid-Peak, and On-Peak. TOU pricing periods change twice a year on a seasonal basis, with winter pricing periods applying from November 1 to April 30 and summer pricing periods applying from May 1 to October 31. Given that the new RPP prices apply only for the period from May 1, 2019 to October 31, 2019, only the summer pricing periods are shown below.

TOU pricing periods are:

1. Off-Peak period:
 - Summer weekdays: 7 p.m. to midnight and midnight to 7 a.m.
 - Summer weekends and holidays¹⁶: 24 hours (all day)
2. Mid-Peak period
 - Summer weekdays : 7 a.m. to 11 a.m. and 5 p.m. to 7 p.m.
3. On-Peak period
 - Summer weekdays: 11 a.m. to 5 p.m.

B. *Tiered Pricing*

RPP consumers that are not on TOU pricing pay prices in two tiers; one price for monthly consumption up to a tier threshold and a higher price for consumption over the threshold. The threshold for residential consumers changes twice a year on a seasonal basis, and for the May 1 to October 31 summer season is 600 kWh per month.

The threshold for non-residential RPP consumers remains constant at 750 kWh per month for the entire year.

¹⁶ For the purpose of RPP TOU pricing, a “holiday” means the following days: New Year’s Day, Family Day, Good Friday, Christmas Day, Boxing Day, Victoria Day, Canada Day, Labour Day, Thanksgiving Day, and the Civic Holiday. When any holiday falls on a weekend (Saturday or Sunday), the next weekday following (that is not also a holiday) is to be treated as the holiday for RPP TOU pricing purposes.