

March 23, 2023

Market Prices for Natural Gas are Decreasing

The Ontario Energy Board (OEB) has approved new natural gas prices for EPCOR Natural Gas Limited Partnership's (EPCOR) customers in its Aylmer and South Bruce service areas to take effect April 1, 2023.

REASONS FOR CHANGES TO NATURAL GAS BILLS

QRAM

Several factors give rise to the change in natural gas prices approved for EPCOR's QRAM for the April 1 to June 30 period including:

- Warmer than normal weather
- An increase in North American gas production
- North American natural gas storage inventory levels are higher than normal¹

Total Annual Bill Impact

As noted in Table 1, beginning April 1, 2023, the total annual bill impact* for residential customers using a typical amount of natural gas in each service area will be:

The Quarterly Rate Adjustment Mechanism (QRAM) is the process by which the OEB adjusts the prices that natural gas customers pay for the natural gas that they use and to reflect changes in natural gas market prices.

These price changes are approved to take effect on the 1st of the month in January, April, July, and October each year.

The OEB does not allow natural gas distributors to earn a profit on the sale of natural gas, regardless of market fluctuations in price.

Other Rate Changes

The OEB also sets rates that natural gas distributors can charge for the delivery and storage of natural gas.

Any changes to those rates that are approved by the OEB between QRAM decisions also take effect on the first day of the next calendar quarter.

Table 1

Service Area and Typical Annual Usage for a Residential Customer	EPCOR Aylmer 1,780 m ³	EPCOR South Bruce 2,149 m ³
Total Annual Bill – Current	\$1,192.46	\$1,832.83
– Beginning April 1, 2023	\$1,147.25	\$1,741.76
Total Annual Bill Impact	-\$45.20	-\$91.07
Percentage Change	-3.8%	-5.0%

*Bill impacts will vary depending on how much natural gas individual customers use. Natural gas use is generally lowest during the summer months.

¹ <https://www.eia.gov/outlooks/steo/>

Other Rate Changes

Other changes taking effect on April 1, 2023 and included in Table 1 above are rate changes and temporary rate adjustments previously approved by the OEB in EPCOR's Federal Carbon Pricing proceeding.² Under the federal *Greenhouse Gas Pollution Pricing Act*, EPCOR is required among other things to pay a carbon charge to the federal government for emissions from the volume of natural gas that it delivers to its customers. The federal carbon charge increases annually each April. All the money collected by EPCOR through this charge goes to the federal government.

The annual bill impact for a typical residential customer resulting from the updated federal carbon charge and federal carbon charge-related temporary adjustments is an increase of \$46 for those in the Aylmer service area and \$55 for those in South Bruce. For the Aylmer service area, the annual bill impact also reflects the expiry of certain other temporary adjustments.

Temporary rate adjustments are credits or costs that have been approved for refund or recovery from customers over a temporary period.

These increased costs are offset this quarter by the significant decrease in the market cost of natural gas, allowing total bills to decrease.

ABOUT THE QRAM

Natural gas is a commodity that is bought and sold on North American energy markets. At any given time, its price fluctuates based on a variety of factors including supply and demand, seasonal changes, levels of stored natural gas, and major weather events. EPCOR updates its forecast of market prices every three months and uses that forecast to seek the OEB's approval of its proposed changes to natural gas commodity prices. These proposed changes cover:

- **Future costs:** This is based on a forecast of market prices for natural gas over the next 12-month period.
- **Past costs:** This is based on the difference between what the utility previously forecast that their customers would pay and what their customers actually paid. This kind of adjustment is needed because the gas prices charged to customers are based on forecasts, which are never exact. The adjustment can increase or lower the rate accordingly. For example, if a utility collected more from customers than it paid for gas in the past, the difference is credited back to customers through a lower rate. Likewise, if not enough was collected by the utility, the rate will be higher.

The OEB does not allow natural gas distributors to earn a profit on the sale of natural gas.

PROGRAMS TO SUPPORT NATURAL GAS CUSTOMERS

- **Low-income Energy Assistance Program (LEAP)**

This program provides a grant towards a customer's electricity and/or natural gas bill if they're behind on their bill and may face having their service shut off. It is for emergency situations. See [OEB.ca/BillHelp](https://www.oeb.ca/BillHelp)

² [EB-2022-0245, February 9, 2023](#)



- **Rules to protect low-income customers**

Electricity utilities, unit sub-meter providers and rate-regulated natural gas utilities follow customer service rules specific to low-income customers. These include waiving security deposits and allowing longer payment times under arrears payment plans. See OEB.ca/BillHelp

About the OEB

The OEB is the independent regulator of Ontario's electricity and natural gas sectors. It protects the interests of consumers and supports the collective advancement of the people of Ontario. Its goal is to deliver public value through prudent regulation and independent adjudicative decision-making which contributes to Ontario's economic, social and environmental development.

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This Backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decision and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for the decision; those may be found in the Decision and Orders issued today, which are the official OEB documents.

Ce document est aussi disponible en français.

