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Backgrounder

April 5, 2013

| <p>About Electricity Prices</p> | <p>The Ontario Energy Board sets prices for households and small businesses twice each year, on May 1 and November 1.</p> <p>The price changes affect consumers who don't have a contract with an electricity retailer.</p> <p>Electricity prices make up about half the total of an average household bill. These electricity prices are shown on one of the five line items on bills – the Electricity line (the others are Delivery, Regulatory Charges, Debt Retirement Charge and Ontario Clean Energy Benefit).</p> | | | | | | | | | | | | | | | | |
|---|---|------------------|--------------|------------------|--------|----------|---|-----------|--------------|----------|------------------------------|------------|--------------|---------|-------------------|------------|--------------|
| <p>New Summer Time-of-Use Electricity Prices</p> | <table border="1"> <thead> <tr> <th>Category</th> <th>Time(s)</th> <th>New Summer Price</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td>Off-peak</td> <td>Weekdays 7pm-7am All day weekends and holidays</td> <td>6.7 ¢/kWh</td> <td>(↑0.4 cents)</td> </tr> <tr> <td>Mid-peak</td> <td>Weekdays 7-11am and 5-7pm</td> <td>10.4 ¢/kWh</td> <td>(↑0.5 cents)</td> </tr> <tr> <td>On-peak</td> <td>Weekdays 11am-5pm</td> <td>12.4 ¢/kWh</td> <td>(↑0.6 cents)</td> </tr> </tbody> </table> | Category | Time(s) | New Summer Price | Change | Off-peak | Weekdays 7pm-7am All day weekends and holidays | 6.7 ¢/kWh | (↑0.4 cents) | Mid-peak | Weekdays 7-11am and 5-7pm | 10.4 ¢/kWh | (↑0.5 cents) | On-peak | Weekdays 11am-5pm | 12.4 ¢/kWh | (↑0.6 cents) |
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| <p>Bill Impact</p> | <p>The price change for consumers is an increase of approximately \$3.63 on the “Electricity” line, or about 2.9% on the total monthly bill, for a household with a typical consumption pattern that uses 800 kWh per month. Residential consumers typically use about 64% of their electricity during off-peak hours, and about 18% in each of the mid-peak and on-peak periods.</p> | | | | | | | | | | | | | | | | |
| <p>Reasons for Changes</p> | <p>The Ontario Energy Board sets electricity prices twice each year based on updated cost estimates. Estimates for the coming year include more generation and increased costs from sources including renewables, nuclear and hydro-electric. Some of the estimated increase in these supply costs is offset by reduced payments to coal-fired plants.</p> | | | | | | | | | | | | | | | | |

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| <p>Time-of-Use Pricing</p> | <p>With time-of-use prices, consumers pay different prices depending on <i>when</i> and <i>how much</i> electricity they use. This is made possible by smart meters, which measure the exact time each unit of electricity is used.</p> <p>There are three time-of-use periods – on-peak, mid-peak and off-peak. Like cell phone plans, prices are lowest in the evenings, on weekends and on holidays. They are highest during the day on weekdays.</p> |
| <p>Why Prices Rise ... and Fall</p> | <p>Ontario's electricity grid is fed by inexpensive power during lower demand times. Known as <i>baseload generation</i>, this power largely comes from nuclear and large hydroelectric facilities. When demand is high and all baseload power is used, the province must turn to higher-cost generators. Those power sources generally include some natural gas-fired plants and renewable generators.</p> <p>As demand rises, so does the cost of electricity.</p> |
| <p>Objectives</p> | <p>Time-of-use prices are designed to better reflect the cost of power at different times of the day.</p> <p>They encourage consumers to use electricity during lower-cost time periods that in turn can ease pressure on the provincial power system. It can also benefit the environment.</p> |
| <p>Winter & Summer Time-of-Use Hours</p> | <p>The time-of-use price periods change each May 1 and November 1 – the same day prices are adjusted.</p> <p>The difference between the summer and winter periods reflects differences in consumer habits.</p> <p>In summer, electricity use peaks during the hottest part of the day, when air conditioners are running on high.</p> <p>In winter, less daylight means electricity use peaks twice: once in the morning when people wake up and turn on their lights and appliances, then again when people get home from work.</p> <div data-bbox="418 1339 1466 1801"> <p>Winter (Nov 1-Apr 30) - Weekdays</p> <p>Summer (May 1-Oct 31) - Weekdays</p> <p>Weekends & Holidays</p> <p>\$ off-peak \$\$ mid-peak \$\$\$ on-peak</p> </div> |

| <p>Actual Household Time-of-Use Consumption</p> | <p>Data is still being collected to assess how consumer behaviour has changed since time-of-use prices were implemented. However, we know on average households currently use most of their power – nearly two-thirds of it – during off-peak hours.</p> | | | | | | | | |
|--|---|--------------------|------------|----------|-----|---------|-----|----------|-----|
| | <div style="text-align: center;"> <p>Average Household Electricity Consumption</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>Average Household Electricity Consumption Data</caption> <thead> <tr> <th>Time-of-Use Period</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Off-peak</td> <td>64%</td> </tr> <tr> <td>On-peak</td> <td>18%</td> </tr> <tr> <td>Mid-peak</td> <td>18%</td> </tr> </tbody> </table> </div> | Time-of-Use Period | Percentage | Off-peak | 64% | On-peak | 18% | Mid-peak | 18% |
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| On-peak | 18% | | | | | | | | |
| Mid-peak | 18% | | | | | | | | |
| <p>Setting Electricity Prices</p> | <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. Many factors go into this estimate, including:</p> <ul style="list-style-type: none"> • The amount of power those consumers are expected to use • The projected price of different types of fuel during that time • The types of power that will be available (i.e. how much nuclear, hydroelectric, natural gas, renewable), and at what cost • The accuracy of previous projections <p>The OEB then sets prices for each of the three time-of-use periods based on an allocation of the estimated supply costs for each period.</p> | | | | | | | | |
| <p>Contracts</p> | <p>A small number of electricity consumers – less than 1 in 10 – get their power from an electricity retailer rather than their local utility.</p> <p>Those consumers are not affected by the OEB price changes.</p> <p>They are, however, subject to a fluctuating rate known as the Global Adjustment. The Global Adjustment appears as a separate charge on their electricity bill. It is designed to cover the difference between electricity market prices and the actual payments many generators receive. It also covers the cost of conservation and demand management programs.</p> <p>For all consumers who pay the prices set by the OEB, the Global Adjustment costs are already incorporated into their electricity prices.</p> | | | | | | | | |
| <p>Tiered Prices</p> | <p>A small number of consumers – again, roughly 1 in 10 – are still on the old pricing system, known as tiered pricing. The changes for these consumers are:</p> | | | | | | | | |

New Tiered Prices for Households

| | Summer Threshold | New Summer Price | Change |
|-----------------------|-------------------------------|------------------|-------------|
| 1 st Level | Up to 600 kWh/month | 7.8 ¢/kWh | ↑ 0.4 cents |
| 2 nd Level | Everything over 600 kWh/month | 9.1 ¢/kWh | ↑ 0.4 cents |

* The threshold for small businesses stays at 750 kWh/month all year.

Pricing Type

A large majority of Ontario electricity consumers are on time-of-use pricing. However, some customers pay based on other pricing methods:

| Pricing Type | Number of Ontario Customers (household and small business) | Percentage |
|------------------------|--|------------|
| Time-of-use | 4,032,023 | 83.2% |
| Tiered | 439,148 | 9.1% |
| Contract | 346,677 | 7.2% |
| Other (market pricing) | 26,318 | 0.5% |
| Total | 4,844,166 | 100% |

For more information

Electricity prices only make up part of total electricity bills and don't include other charges like delivery. For more information, visit the *Your Utility* section of the OEB's consumer website at www.ontarioenergyboard.ca.

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For more information, please contact:
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