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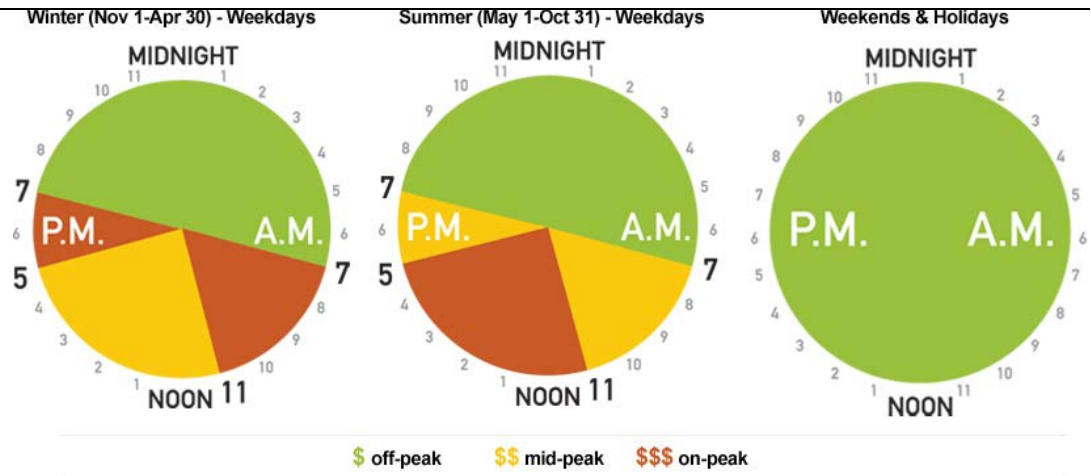


## Backgrounder – May 1 electricity price change

April 14, 2016

<p><b>About Electricity Prices</b></p>	<p>The Ontario Energy Board reviews prices for households and small businesses twice each year, on May 1 and November 1.</p> <p>The price changes only affect households and small businesses who buy their electricity from their local utility.</p> <p>Electricity prices make up more than 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 and the Debt Retirement Charge (for businesses).</p>
<p><b>Time-of-use Pricing</b></p>	<p>With time-of-use prices, customers pay different prices depending on when they use electricity.</p> <p>There are three time-of-use periods – on-peak, mid-peak and off-peak.</p> <p>Time-of-use prices are designed to reflect the cost of electricity at different times of the day.</p> <p>They 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>97% of customers on the Regulated Price Plan pay time-of-use prices.</p>
<p><b>Ratio between on/off peak</b></p>	<p>The TOU prices in each period are set in combination to recover the actual costs of electricity.</p> <p>The ratio between on- and off-peak prices is more than 2:1, which means 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>

**Summer & Winter Time-of-Use Hours**



The TOU price periods change each May 1 and November 1 (the same day prices are adjusted)

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.

**Bill Impact of New Prices**

The price for customers is increasing by approximately \$3.13 per month on the "Electricity" line, and about 2.5% on the total bill, for a household with a typical consumption pattern and using 750 kWh per month.

**Reasons for Changes**

The Ontario Energy Board sets electricity prices based on updated cost estimates.

As part of the RPP, the difference between the actual price paid to electricity generators and the forecast price paid by electricity customers is tracked in a dedicated account on an ongoing basis. If customers paid more for electricity than was paid to generators, the amount tracked in an account will be a credit. If customers paid less, it will be a charge.

Over the last price period, the variance account credit has been virtually depleted. Currently, it is forecast to be a charge as of May 1, 2016. The credit balance depleted faster than forecasted due to the mild winter in which Ontarians consumed less electricity than expected. As a result of lower usage, RPP prices did not recover the full cost of serving RPP customers.

The price increase is primarily the result of that shortfall.

<p><b>Why Prices Depend on the Time Electricity is Used</b></p>	<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>
<p><b>Setting Electricity Prices</b></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"> <li>• The amount of power those customers are expected to use</li> <li>• The projected price of fuel during that time – e.g. natural gas</li> <li>• The types of power that will be available (i.e. how much nuclear, hydroelectric, natural gas, renewable), and at what cost</li> <li>• The accuracy of previous projections</li> </ul> <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>
<p><b>Contracts</b></p>	<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.</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>All customers pay the Global Adjustment. Global Adjustment costs are incorporated into the electricity prices for customers who pay the prices set by the OEB under the Regulated Price Plan.</p>

<b>Tiered Prices</b>	<p>A small number of customers – again, fewer than 1 in 10 – are still on the old pricing system, known as tiered pricing. The changes for these customers are:</p> <p><b>New Tiered Prices for Households</b></p> <table border="1" data-bbox="407 233 1414 449"> <thead> <tr> <th></th> <th>Summer Threshold</th> <th>New Summer Price</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td>1<sup>st</sup> Level</td> <td>Up to 600 kWh/month</td> <td>10.3¢/kWh</td> <td>0.4 cents</td> </tr> <tr> <td>2<sup>nd</sup> Level</td> <td>Everything over 600 kWh/month</td> <td>12.1¢/kWh</td> <td>0.5 cents</td> </tr> </tbody> </table> <p>* The threshold for small businesses stays at 750 kWh/month all year.</p>		Summer Threshold	New Summer Price	Change	1 <sup>st</sup> Level	Up to 600 kWh/month	10.3¢/kWh	0.4 cents	2 <sup>nd</sup> Level	Everything over 600 kWh/month	12.1¢/kWh	0.5 cents
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<b>The Typical Residential Customer</b>	<p>Since late 2009, the OEB has defined 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 illustrative purposes should now be 750 kWh per month</p> <p>For more information see: Report of the Ontario Energy Board <a href="#">Defining Ontario's Typical Electricity Customer</a>.</p>												
<b>For more information</b>	<p>For more information, visit the OEB's consumer website at <a href="http://www.ontarioenergyboard.ca">www.ontarioenergyboard.ca</a>.</p>												

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