

# Quarterly Rate Adjustment Mechanism

The Ontario Energy board (OEB) sets prices for the natural gas commodity, that is the natural gas that residential and business customers of Enbridge Gas (including Union Gas Rate Zones) and EPCOR Natural Gas Limited Partnership use.

As the name implies, we set commodity prices through a process called Quarterly Rate Adjustment Mechanism (QRAM), four times per year, on the 1st of January, April, July and October.

Natural Gas prices are set quarterly to adjust for changes in natural gas market prices, which fluctuate due to several factors including the weather, supply and demand, gas production, storage inventory levels and uncertainty in the global energy landscape. Prices can increase or decrease, and customers' bills are also adjusted quarterly to reflect the actual cost of the gas customers receive, as accurately as possible.

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

## Cost Factors

When setting the QRAM, the OEB considers:

- **Future costs** - the utilities' forecast of how much natural gas their customers will use and the estimated market price over the next 12 months, and
- **Past costs** - the utilities' review of the difference between the previous estimated price and what customers actually paid.

Adjustments are needed because forecasts are never 100% accurate.

If customers are **charged more than** the actual cost of the natural gas they used in the past, they receive a credit, which usually takes the form of a lower price on the Gas Supply Charge line of their bill.

If a utility **didn't collect enough** from customers to cover the cost of the natural gas they used in the past, the price will be higher for the following three months to recover the shortfall.

When natural gas commodity prices are unusually high, the OEB could approve a rate mitigation plan to help protect consumers from experiencing large bill increases all at once. Mitigation provides customers with temporary relief by smoothing out cost recovery over a longer period.

The OEB does not set rates or prices for Kitchener Utilities or Utilities Kingston. Nor do we regulate the prices that natural gas marketers charge in their contracts or how much companies charge to rent, repair or maintain water heaters.

We also approve the rates natural gas utilities charge to deliver natural gas to you. However the natural gas utility must make a separate application for delivery rates.

Delivery rates are not set through the QRAM process.

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## FAQs

### 1. How many rate zones are there?

There are six rate zones in Ontario, including:

- Enbridge Gas Inc.- Union South
- Enbridge Gas Inc. - Union North East
- Enbridge Gas Inc. - Union North West
- Enbridge Gas Distribution Inc.
- EPCOR Natural Gas Limited Partnership (Aylmer)
- EPCOR Natural Gas Limited Partnership (South Bruce)

The names of natural gas providers can be found on utility bills or by using the OEB's [Electricity and Natural Gas Utilities Area Map](#).

### 2. Why does the price of natural gas differ depending on the rate zone?

Prices differ depending on the rate zone because the market cost of the natural gas that supplies rate zones differs.

To supply their customers in different rate zones, distributors must purchase their gas from different sources, depending on the location of the pipelines that supply the zone.

### 3. Why are natural gas prices reset every quarter?

Resetting prices every quarter helps smooth out bills for natural gas customers and ensures they have bill costs that are more closely aligned with the actual market price of the gas. Resetting prices quarterly also helps utilities manage their accounts, since they carry the costs on customers' behalf until they can pass them through.

## Additional Resources

Customers can...

- Use the OEB [Bill calculator](#) to estimate their monthly bill or compare their current electricity or natural gas bill with a contract offered by an energy retailer
- Find out more about how natural gas rates are set at [oeb.ca/naturalgasrates](http://oeb.ca/naturalgasrates)
- Find the names of natural gas providers by using the [Electricity and Natural Gas Utilities Area Map](#)
- Review [historical natural gas prices](#)
- Visit our [Understanding your natural gas bill](#) page