



Ontario  
Energy  
Board | Commission  
de l'énergie  
de l'Ontario

**December 15, 2020**

**BY WEB POSTING**

**TO: All Interested Parties**

**RE: New Regulated Price Plan Prices Effective January 1, 2021**

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The Ontario Energy Board (OEB) has reset Regulated Price Plan (RPP) prices effective January 1, 2021, to reflect a significant decrease in the RPP supply cost resulting from the Ontario government's decision to fund a portion of renewable energy contract costs. This letter sets out the new RPP prices, describes how they were set, provides further detail regarding the reason for resetting prices at this time and notes the offsetting change to the Ontario Electricity Rebate (OER) that will also affect the total bills of RPP consumers starting January 1, 2021.

### **Background**

The OEB last set electricity commodity prices under the RPP on October 13, 2020 for the period beginning November 1, 2020, based on the forecast cost of supplying electricity to RPP consumers over the November 1, 2020 to October 31, 2021 twelve-month timeframe, as outlined in the [RPP Price Report](#).

On November 5, 2020, the Ontario government announced as part of the [2020 Ontario Budget](#) that, starting on January 1, 2021, a portion of the costs of non-hydro renewable generation contracts will be funded by the Province, rather than by ratepayers through global adjustment (GA) charges. A new regulation has now been made to support this initiative. Removing these costs from the GA significantly reduces the RPP supply cost relative to the forecast on which the RPP prices set on October 13, 2020 were based. The OEB is therefore resetting RPP prices under section 79.16 of the *Ontario Energy Board Act, 1998* effective January 1, 2021 to reflect a forecast cost of RPP supply that has been updated to reflect the removal of a portion of the non-hydro renewable generation contract costs from the GA.

## Impact of Regulatory Change on the GA

On December 11, 2020, a new regulation, [Ontario Regulation \(O. Reg.\) 735/20](#) (Amounts under Section 25.34 of the Act), was filed, which specifies the renewable contract costs that can be funded by the Province, rather than being funded by ratepayers through the GA.

By [letter](#) dated December 15, 2020, the Minister of Energy, Northern Development and Mines (Minister) advised that the total amount that is intended to be removed from the GA in the January 1, 2021 to October 31, 2021 period is approximately \$2.6 billion, as shown in Table 1 below. This represents a reduction of approximately 20% in the forecast supply cost over that period. While the Minister's letter indicates that the funding amounts post April 1, 2021 may be adjusted subject to further decisions and approvals, the amounts set out in the Minister's letter represent the best available information and they have been used in setting the January 1, 2021 RPP prices.

**Table 1: Government Funding Amounts**

	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Total
<b>Millions \$</b>	258.1	258.1	258.1	260.2	260.2	260.2	260.2	260.2	260.2	260.2	2,595.7

## RPP Supply Cost

The OEB's RPP supply cost forecast for the November 1, 2020 to October 31, 2021 period represents the sum of four individual components, as shown in Table 2. The only component affected by the regulatory change described above is the GA. The OEB last set RPP prices only two months ago, and has determined that the resetting of RPP prices at this time need only reflect the RPP supply cost impact of that regulatory change.

As indicated in the October 13, 2020 RPP Price Report, total GA costs over the November 1, 2020 to October 31, 2021 period were forecast to be \$12.7 billion. The RPP Price Report estimated that RPP consumers would be responsible for 52%, or \$6.6 billion, of this forecast cost. Based on this percentage allocation, the OEB has determined that the approximately \$2.6 billion in government funding will reduce RPP consumer GA costs by approximately \$1.35 billion (52% of \$2.6 billion) over the January 1, 2021 to October 31, 2021 period.

As shown in Table 2, removing the \$1.35 billion in GA costs attributed to RPP consumers results in an updated average RPP supply cost of \$107.73/MWh, which is \$25.85/MWh lower than the RPP supply cost of \$133.58 that underpinned the RPP prices effective November 1, 2020. This average RPP supply cost corresponds to an

average RPP price, referred to as RPA, of 10.8 cents per kWh.

**Table 2: Average RPP Supply Cost Summary (for the period from January 1, 2021 through October 31, 2021)**

RPP Supply Cost Summary (\$/MWh)	Nov. 1, 2020 RPP Supply Cost	Jan. 1, 2021 RPP Supply Cost Change
Forecast Wholesale Electricity Price - Simple Average	\$19.01	
<b>Load-Weighted Costs for RPP Consumers</b>		
Wholesale Electricity Cost: RPP-Weighted	\$20.87	
Global Adjustment	+ \$109.47	\$83.62
Adjustment to Clear Existing Variances	+ \$2.24	
Adjustment to Address Bias Towards Unfavourable Variance	+ \$1.00	
<b>Average Supply Cost for RPP Consumers</b>	<b>= \$133.58</b>	<b>\$107.73</b>

### January 1, 2021 RPP Prices

RPP consumers are not charged the average RPP supply cost. Rather, they pay prices under price structures that are designed to make their consumption weighted average price equal to the RPA. There are two RPP price structures: time-of-use (TOU) and tiered.

RPP consumers with eligible TOU (or “smart”) meters are generally charged on the basis of TOU prices, unless they elect instead to be charged on the basis of tiered prices by giving notice to their distributor in accordance with the OEB’s Standard Supply Service Code. For those consumers with eligible TOU meters that have not elected tiered pricing, RPP prices are calculated for three separate price periods: On-peak, Mid-peak, and Off-peak. The times when each of these periods applies are set out in the [RPP Manual](#).

RPP consumers that are not on TOU pricing, whether because they do not have an eligible TOU meter that is useable for billing purposes or because they have elected to pay tiered prices, 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 thresholds for consumers paying tiered prices are set out in the RPP Manual.

The winter TOU price periods and the winter tier threshold for residential consumers<sup>1</sup> that took effect on November 1, 2020 are not changing on January 1, 2021.

The RPP prices set by the OEB effective January 1, 2021 are set out in Table 3. As

<sup>1</sup> The tier threshold for non-residential RPP consumers is the same all year round.

described in the RPP Manual, these prices have been calculated to recover the forecast period RPA, given the consumption profile of both TOU and tiered pricing consumers.

**Table 3: January 1, 2021 RPP Prices**

Time-of-Use RPP Prices	Off-peak	Mid-peak	On-peak	RPA
Price per kWh	8.5¢	11.9¢	17.6¢	10.8¢
% of TOU Consumption	64%	18%	18%	
Tiered RPP Prices	Tier 1	Tier 2	RPA	
Price per kWh	10.1¢	11.8¢	10.8¢	
% of Tiered Consumption	61%	39%		

On December 11, 2020, [amendments](#) to O. Reg. 363/16 (General) under the *Ontario Rebate for Electricity Consumers Act, 2016* were filed, which will reduce the OER from 33.2% to 21.2% effective January 1, 2021, offsetting the impact of the reduced supply cost on the electricity bills of RPP consumers.

### Closing

Normally, RPP prices are reviewed by the OEB every six months, in November and May, to determine if they need to be adjusted. The OEB expects to review RPP prices in the spring and will reset them if required for May 1, 2021 in accordance with the OEB's usual practice, based on an updated forecast of the cost of RPP supply.

Any questions relating to this letter should be directed to the OEB's Industry Relations Enquiry e-mail at [IndustryRelations@oeb.ca](mailto:IndustryRelations@oeb.ca).

Yours truly,

*Original Signed By*

Christine E. Long

Registrar