

September 27, 2018

## Ontario natural gas prices are changing

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Natural gas customers across Ontario will see changes on their bills over the next three months beginning October 1, 2018.

### Cap and Trade

On July 3, 2018, the government revoked Ontario Regulation 144/16, The Cap and Trade Program. In its decision today, the Ontario Energy Board (OEB) removed Cap and Trade charges from natural gas bills. There will be smaller charges related to Cap and Trade for a short time while utilities make adjustments for their implementation costs of the Cap and Trade program.<sup>1</sup>

### About the Quarterly Rate Adjustment Mechanism (QRAM)

Natural gas is a commodity traded on North American markets. Market prices rise and fall based on current supply and demand. Major weather events can also affect the market price.

Every three months, natural gas utilities ask the OEB to adjust their commodity rates to cover:

- **Future costs.** Utilities estimate how much gas they expect their customers to use, based on previous years. Then they estimate the market price for natural gas over the next 12-month period.
- **Past costs.** Utilities also review the difference between what they previously forecast their customers would pay and what their customers actually paid. This “true up” may be called the *Gas Price Adjustment* or *Cost Adjustment* on the bill. It 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.

Because forecasting is done in advance of when utilities actually purchase natural gas, it is never exact. The OEB adjusts commodity rates periodically throughout the year so that rates track more closely with market prices.

### Reasons for Rate Changes

On a percentage basis, the annual bill impacts for typical\* residential customers of each utility and the main reasons for the changes are as follows:

- **-2.5% for Enbridge Gas Distribution:** this is due to an increase in the forecast price of natural gas, as well as increases for an adjustment for differences in past forecast gas prices relative to actual costs, the clearance of Demand Side Management balances from 2015, and the interim clearance of outstanding true-up adjustments as well as balances from Cap and Trade deferral and variance accounts. These increases are offset by the elimination of Cap and Trade-related charges.
- **-6.2% for Union Gas-South:** this is due to an increase in the forecast price of natural gas, an adjustment for differences in past forecast gas prices relative to actual costs, the clearance of

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<sup>1</sup> To clear the remaining balances in their Cap and Trade-related accounts, Enbridge customer bills will include a one-time adjustment in October 2018; Union Gas customers will have their adjustment spread over three months beginning October 2018. EPCOR will be requesting their adjustments in a future proceeding.

Demand Side Management balances from 2015, and the interim clearance of balances from Cap and Trade deferral and variance accounts. These increases are offset by the elimination of Cap and Trade-related charges.

- **-2.6% for Union Gas-North East:** this is due to an increase in the forecast price of natural gas, an adjustment for differences in past forecast gas prices relative to actual costs, the clearance of Demand Side Management balances from 2015, and the interim clearance of balances from Cap and Trade deferral and variance accounts. These increases are offset by an adjustment for transportation costs and the elimination of Cap and Trade-related charges.
- **-8.2% for Union Gas-North West:** this is due to an increase in the forecast price of natural gas, an adjustment for transportation costs, the clearance of Demand Side Management balances from 2015, and the interim clearance of balances from Cap and Trade deferral and variance accounts. These increases are offset by an adjustment for differences in past forecast gas prices relative to actual costs and the elimination of Cap and Trade-related charges.
- **-6.1% for EPCOR:** this is due to an increase in the forecast price of natural gas. These increases are offset by the elimination of Cap and Trade-related charges.

**\* The Typical Residential Customer**

Annual usage for a typical residential customer is 2,400 m<sup>3</sup> for Enbridge, 2,200 m<sup>3</sup> for Union Gas and 2,009 m<sup>3</sup> for EPCOR.

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