July 11 2017 – A1b

RESIDENTIAL ELECTRICITY PRICES

What is the current status of residential electricity prices in Ontario?

SUGGESTED RESPONSE:

- **Our government continues to ensure a clean, reliable and affordable electricity system for all Ontarians.**

- **Ontario is taking action to reduce electricity bills for families, farms and businesses.**

- **We're doing this because we know that families need help with the cost of everyday living.**

- **We're able to take action now because years of careful management is leading to a balanced budget in 2017-18; and we believe that Ontarians should be the first to benefit from the province's fiscal discipline.**

- **Recognizing this, we have introduced new measures that took effect January 1, 2017, including:**

    - **Rebating an amount equal to the provincial portion of the HST to reduce eligible residential, small business and farm electricity bills by 8 per cent ($130 annually); and**

    - **Providing eligible rural ratepayers with additional relief through an expansion of the Rural or Remote Rate Protection (RRRP) program, decreasing total electricity bills by an average of $540 a year in combination with the 8per cent rebate.**

- **Ontario's Fair Hydro Plan has lowered electricity bills by 25 per cent on average for residential customers and will hold increases to the rate of inflation for four years, as well as initiatives to reduce costs for businesses.**

- **Ontario's Fair Hydro Plan includes refinancing a portion of Global Adjustment, shifting cost recovery for Rural or Remote Rate Protection (RRRP) and the Ontario Electricity Support Program (OESP) from electricity bills to provincial revenues, and the existing 8 per cent rebate.**

- **The plan includes the 8 per cent rebate introduced in January 2017 and builds on previously announced initiatives to deliver broad-based rate relief on all electricity bills.**

- **Electricity consumers eligible for the 8 per cent rebate would also be eligible for GA refinancing, including all residential consumers, farms, most small businesses, hospitals, long-term care homes and condominiums. Residential consumers and most small businesses who have signed contracts with electricity retailers would also be eligible.**

- **Ontario's Fair Hydro Plan also expands support for vulnerable electricity consumers by expanding the Rural or Remote Rate Protection (RRRP) and Ontario Electricity Support Program (OESP), providing a First Nations On-Reserve Delivery Credit, and establishing an Affordability Fund.**

- **Consumers of all sizes will benefit from shifting cost recovery for RRRP and OESP from electricity bills to provincial revenues. This action is expected to lower regulatory charges for all consumers by approximately $3/MWh.**

- **This plan represents one of the single largest actions to reduce costs for electricity consumers in the province's history.**

- **Additional programs that provide support to Ontario families in paying their bills, include:**

  - **The Ontario Energy and Property Tax Credit saves qualifying individuals up to $1,023 per year, with a maximum of $1,165 per year for qualifying seniors.**

  - **The Low-Income Energy Assistance Program provides emergency financial support of up to $600 for families and individuals having trouble paying their bills.**

  - **The Northern Ontario Energy Credit helps families and individuals in Northern Ontario by providing tax credits for low- to middle-income families and individuals living in northern Ontario. The maximum annual credit for a single person is $148, and for a family (including single parents), is $227.**

- **Existing electricity conservation programs also help consumers manage their elecitricity bills.**

  - **The saveONenergy Home Assistance Program was specifically developed to help income-eligible homeowners and tenants manage their energy use and costs by offering detailed in-home energy assessments and installing energy-saving measures at no cost. Social and assisted housing providers also qualify for assistance in making their buildings more energy efficient.**

- **According to the National Energy Board's *Energy Futures* 2016 publication, residential electricity prices are expected to increase in most Canadian provinces until 2032.**

RPP PRICES:

- **The Ontario Energy Board (OEB) typically sets Regulated Price Plan (RPP) prices every 6 months based on projected supply cost so Ontarians know what to expect.**

- **For residential and small business, the OEB has set new, lower RPP prices that build on the reduction in RPP prices that came into effect on May 1.**

- **With the new RPP prices that came into on July 1, the total bill for the proxy customer described under the Fair Hydro Act, 2017 will be about $121. That is about $41 or 25 per cent lower than it would have been without the following mitigation:**

  - **The planned refinancing of a portion of the costs of the Global Adjustment (GA), as reflected in the new RPP prices;**

  - **The 8 per cent rebate, equivalent to the provincial portion of the HST, that has been in place since January 1, 2017;**

  - **The impact of removing most of the cost of the Rural and Remote Rate Protection (RRRP) program from electricity bills, which will now be paid for from provincial revenues; and**

  - **The impact of removing the cost of the Ontario Electricity Support Program (OESP) from electricity bills. The OESP will continue to be available to help eligible low-income customers reduce their electricity bills, and will also be paid for from provincial revenues.**

- **For other customers that are eligible for electricity bill reductions under the Fair Hydro Act, 2017, the OEB has set a credit that will reduce their GA charges.**

- These include customers that are eligible for the RPP but have chosen a contract with an energy retailer or market-based pricing. The credit is designed to provide these customers with a level of benefit that corresponds with the benefit being provided to the proxy customer through the lower RPP prices announced today.

- **OEB will adjust RPP prices again on May 1, 2018, in such a manner that the total bill for the proxy consumer will increase by the rate of inflation. This could include a further reduction in RPP prices, if necessary, to limit the total bills increase to the rate of inflation.**

ONTARIO ELECTRICITY SUPPORT PROGRAM:

- **The government recognizes that that the price of electricity represents a challenge for those that pay a higher share of their income towards the bill – particularly low-income families and seniors on a fixed income.**

- **That is why the OEB developed the Ontario Electricity Support Program (OESP), which provides an ongoing rate reduction directly on the bills of low-income electricity consumers who have applied and meet the eligibility requirements.**

- **Starting May 1, 2017, the OEB increased OESP support for low-income consumers by 50 per cent and expanded eligibility for the program.**

- **OESP monthly credits now range from $35 to $75. Customers with unique electricity needs, such as customers using electric heating, customers relying on certain electricity intensive medical devices, and First Nation, Inuk, and Métis customers are eligible for an enhanced amount, which range from $52 to $113 per monthly bill.**

- **Credits arrive monthly on bills and are dependent on household size and income. For example:**

  - **A one-person household earning $28,000 or less could now receive $45 per month.**
  - **A four-person household earning under $48,000 could now qualify for $40 per month.**
  - **Households with seven people earning a total of $39,000 or less could receive $75 per month**

- **Consumers already in the program will automatically receive a credit adjustment. Others can check to see if they are eligible for assistance under the enhanced program at OntarioElectricitySupport.ca**

- **Since it was launched by the OEB on Jan. 1, 2016, the OESP program has provided monthly on-bill credits to more than 153,000 lower-income households.**

*****For more details on OESP, please see HBN E1 – Low-Income Energy Consumers.***

BACKGROUND:

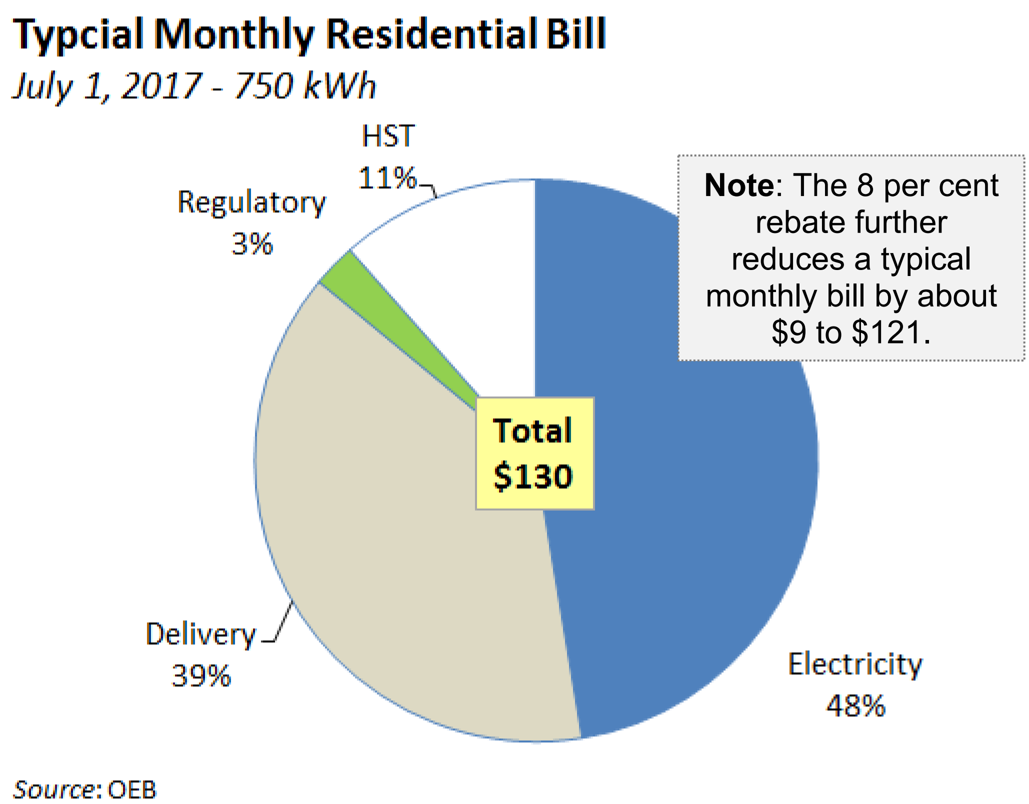


***Table 1*: Residential Electricity Prices – North America (Canadian cents/kWh)**

- **Note**: The 8 per cent rebate is not included in the Ontario price in Table 1 since it is a snapshot of prices in effect as of November 2016.

2016 Residential Electricity Prices (Canadian ¢/kWh)											
	Jurisdiction	Cost		Jurisdiction	Cost		Jurisdiction	Cost		Jurisdiction	Cost
1	Quebec	7.34	17	Nebraska	13.63	33	Nevada	15.22	49	Maine	18.36
2	Manitoba	8.68	18	Utah	13.71	34	Saskatchewan	15.32	50	Maryland	18.39
3	British Columbia	9.92	19	Oklahoma	13.99	35	Virginia	15.36	51	Wisconsin	18.50
4	Alberta	11.11	20	Wyoming	14.07	36	Arizona	15.82	52	Ontario	18.98
5	Louisiana	11.74	21	Mississippi	14.09	37	California	15.87	53	Michigan	19.14
6	Washington	11.94	22	Montana	14.12	38	Alabama	15.90	54	New Jersey	19.87
7	Newfoundland	12.48	23	Florida	14.17	**39**	**U.S. Average**	**15.91**	55	New York	22.26
8	Idaho	12.63	24	Georgia	14.28	40	Minnesota	16.15	56	Vermont	22.43
9	**Canadian Average**	**12.84**	25	Texas	14.44	41	Nova Scotia	16.24	57	New Hampshire	23.90
10	Arkansas	12.85	26	West Virginia	14.45	42	Ohio	16.33	58	Rhode Island	24.87
11	Tennessee	13.08	27	New Mexico	14.52	43	South Carolina	16.35	59	Massachusetts	26.42
12	New Brunswick	13.19	28	South Dakota	14.58	44	Illinois	16.37	60	Alaska	26.52
13	Missouri	13.26	29	Iowa	14.99	45	PEI	16.84	61	Connecticut	27.07
14	Kentucky	13.26	30	North Carolina	15.00	46	Kansas	17.22	62	Hawaii	34.47
15	Oregon	13.44	31	Colorado	15.08	47	Delaware	17.79			
16	North Dakota	13.47	32	Indiana	15.16	48	Pennsylvania	18.27			

Note: Estimates may differ from actual costs to a consumer based on location, connection, and operational characteristics. Prices exclude taxes and participation in any applicable jurisdictional benefit programs.

The Ontario residential price is based on the residential bill in the Q2 2016 Ontario Energy Report.

All other Canadian prices are from the Hydro Quebec Rate Comparison for rates effective April 1, 2016 for select local distribution companies servicing specific cities. Where Hydro Quebec reports prices for two cities in a province (e.g. Calgary and Edmonton), an average of the two is used, in provinces where only one city is reported (e.g. Vancouver in BC, Montreal in QC), that one price is used to represent the province for indicative comparison purposes.

American jurisdictions reflect April 2016 data from the US Energy Information Administration's survey of approximately 500 of the largest electric utilities. The price reflects the average revenue reported by the electric utility from electricity sold to the residential sector. The value represents an estimated average retail price, but does not necessarily reflect the price charged to an individual consumer. Prices are converted at an exchange rate of 1 USD = 1.28 CAD.

Residential and Small Business Consumers:

i. Regulated Price Plan (RPP):

- About 4.9 million residential and small business (demand <50kW or annual consumption below 250,000 kWh) consumers pay either Time-Of-Use (TOU) or tiered rates under the RPP.

- RPP prices are typically reviewed twice per year by the OEB and are adjusted as required on May 1 and November 1.

- To calculate RPP prices, the OEB forecasts the cost to supply electricity to residential and small business consumers for the next 12 months. These forecasts include factors such as:

  - Forecast natural gas prices;
  - Supply forecasts from each type of generation (nuclear, hydroelectric, natural gas, etc.);
  - Electricity consumption forecast; and
  - Any variance recovery (the over/under-collected electricity costs) from the previous period.

a. Time-of-use (TOU) Customers – approximately 4.6 million consumers:

- TOU prices are intended to provide an incentive to consumers to shift consumption away from high demand periods when the cost to meet province-wide demand is higher.

- The following prices are effective July 1, 2017:

Category	Times	Forecast TOU prices without consideration of OFHP	Prices including the OFHP	Change from forecast without consideration of OFHP
Off-peak	Weekdays 7pm-7am All day weekends and holidays	9.1¢/kWh	6.5 ¢/kWh	-29%
Mid-peak	Weekdays 11am-5pm	13.3 ¢/kWh	9.5 ¢/kWh	-29%
On-Peak	Weekdays 7pm-11am and 5pm-7pm	18.5 ¢/kWh	13.2 ¢/kWh	-29%

- Residential consumers typically consume about 65 per cent of their electricity during off-peak hours, 17 per cent in mid-peak hours and 18 per cent in on-peak hours.

b. Tiered Price Customers – approximately 440,000 residential and small business customers:

- Consumers still pay tiered prices that are based on the amount of electricity consumed rather than the time at which the electricity is consumed.

- The threshold is 600 kWh from May to October and 1,000 kWh from November to April, to reflect the fact that households require more electricity in winter months.

Category	Times	Forecast TOU prices without consideration of OFHP	Prices including the OFHP
1st level	Up to 1,000 kWh	10.7 ¢/kWh	7.7 ¢/kWh
Peak	Everything over 1,000 kWh	12.5 ¢/kWh	9.0 ¢/kWh

- The threshold for business customers is 750 kWh/month and does not change throughout the year.

- Effective April 14, 2016, the OEB began using 750 kWh as the standard for reporting the monthly electricity consumption of a typical residential customer, down from 800 kWh used in previous reports and the 2013 Long-Term Energy Plan (2013 LTEP).

***Table 2*: Components of a Residential (i.e., RPP) Electricity Bill**

Component	Subcomponents	Notes	Monthly Cost for a typical RPP TOU consumer in Toronto (January 1, 2017)
Electricity	Hourly Ontario Energy Price (HOEP) + Global Adjustment (GA)	HOEP is the hourly price that reflects the short term cost of producing power. Global adjustment mechanism ensures recovery of long-term generation and conservation costs.	$62
Delivery	Transmission + Distribution	Costs to build and maintain the high-voltage transmission grid and distribution lines, towers and poles. A portion of these charges are fixed, while others are variable and increase with the amount of electricity usage.	$50
Regulatory	IESO fees, uplifts, rural/remote settlement	The costs of administering the wholesale electricity system, maintaining the reliability of the provincial grid and providing financial assistance to consumers in rural and remote areas of the province, and the Ontario Electricity Support Program..	$3
HST	n/a	Applied at a rate of 13%	$15
8% Rebate	n/a	An 8% reduction on pre-tax electricity charges	-$9
Total:			**$121**

Note: Delivery charge is based on Toronto Hydro rate order including rate riders.

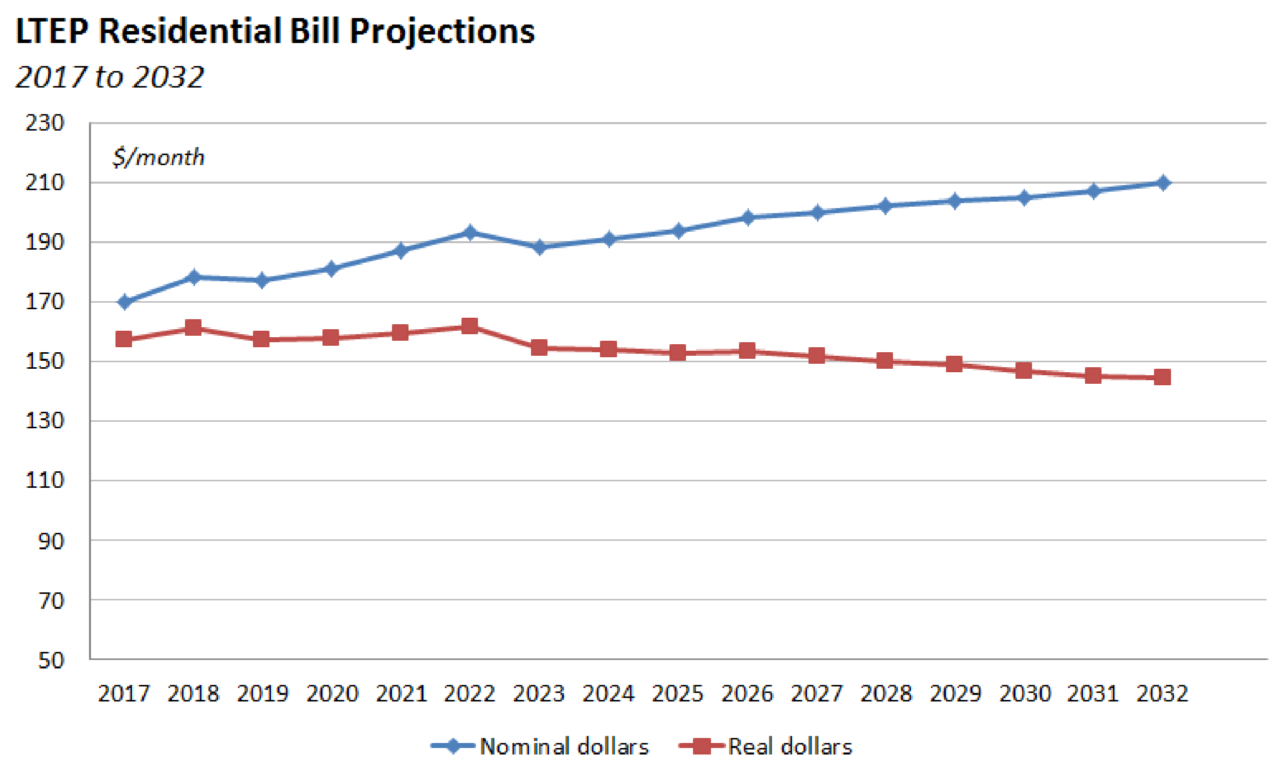
ii. Fixed-price contract:

- Approximately 350,000 residential and small business consumers (demand less than 50 kW):
  - Purchase electricity at a fixed rate from private electricity retailers;
  - A small number of consumers are on fixed-price contracts with private electricity retailers;
  - Contracts typically last three to five years; and
  - Global Adjustment (GA) is charged in addition to the retail contract price.

Electricity Price Projections:

A. Residential Rates

- Residential bills are expected to rise at a slightly higher rate than inflation over the short term, while moderating over the longer term. The short term increase is primarily due to the addition of new renewable generation.



- The forecast average annual increase in Ontario over the 2016 to 2032 period is comparable to projected increases in New England, the northeastern US and the US midwest.

- The National Energy Board (NEB) forecasts similar rate increases in BC, Alberta, Manitoba and Quebec over the long-term.

Residential Electricity Price Forecast				
	2016 vs. 2020	2016 vs. 2025	2016 vs. 2032	avg. annual change
Ontario - 2013 LTEP	8%	16%	25%	1.4%
Removal of DRC	14%	22%	32%	1.7%
Select Canadian Provinces				
Alberta	22%	72%	126%	5.2%
BC	11%	24%	45%	2.3%
Manitoba	13%	25%	45%	2.3%
New Brunswick	9%	21%	39%	2.1%
Newfoundland and Labrador	25%	31%	40%	2.2%
Nova Scotia	9%	21%	40%	2.1%
PEI	9%	18%	40%	2.1%
Quebec	9%	21%	39%	2.1%
Saskatchewan	13%	31%	61%	3.0%
Select US Regions				
New England	22%	51%	75%	3.6%
Northeast	19%	45%	72%	3.4%
Midwest	12%	29%	51%	2.6%

Note: Average annual change reflects 2016 to 2032
Source: Ontario reflects the Ministry of Energy's Long-Term Plan 2013; all other provinces reflect NEB's Energy Futures 2016; select US regions reflect EIA's Annual Energy Outlook 2015. EIA data is by US census region - New England reflects New England, Northeast US reflects Middle Atlantic census region, and Midwest reflects an average of East North Central and West North Central.

Price Mitigation Programs – Low-volume Consumers:

<u>Ontario's Fair Hydro Plan</u>

- We've been making important investments in a cleaner and more reliable energy system, but these investments have led to higher electricity bills.

- We have heard from Ontarians across the province that the price of electricity has risen too quickly, which is why we are moving forward with a plan that would ensure the costs are shared more evenly over the years ahead.

- Ontario's Fair Hydro Plan has lowered electricity bills by 25 per cent on average for residential consumers and will hold increases to the rate of inflation for four years, and includes initiatives to reduce costs for businesses. The plan includes the 8 per cent rebate introduced in January 2017 and builds on previously announced initiatives to deliver broad-based rate relief on all electricity bills.

- Ontario's Fair Hydro Plan includes:

    - Refinancing the Global Adjustment (GA) over a longer time period. Electricity consumers that are eligible for the 8 per cent rebate would also be eligible for GA refinancing, including all residential consumers, farms, most small businesses, hospitals, long-term care homes and condominiums.

    - Helping vulnerable electricity consumers by enhancing electricity support programs. Eligible consumers will receive additional funding through assistance programs including:

    - Establishing a new Affordability Fund which will support Ontarians who are not eligible for the Home Assistance Program and who have difficulty paying their electricity bills.
    - Broadening Rural or Remote Rate Protection (RRRP) to provide distribution charge relief for the customers of the local distribution companies (LDC's) with the highest distribution charges.
    - Expanding the Ontario Electricity Support Program (OESP) to increase participation and provide further assistance to eligible participants.
    - Establishing a new On-Reserve First Nations Delivery Credit.
  - Expanding ICI to include smaller manufacturers and greenhouses between 500 kW and 1 MW, in addition to the large consumers over 1 MW who are already eligible.
  - Shifting cost recovery for RRRP and OESP from electricity bills to provincial revenues, lowering regulatory charges for everyone by approximately $3/MWh.
  - Improving sector efficiency and modernizing Ontario's electricity market, working in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).

<u>Existing Price Mitigation Measures</u>

- The **Ontario Energy and Property Tax Credit (OEPTC)** provides low- to moderate-income Ontarians, including seniors, who own or rent a home with help paying both their energy costs and property tax.
    - Qualifying individuals can receive up to $1,023 in tax relief for the 2017 benefit year, and seniors can receive up to $1,165.
- The **Northern Ontario Energy Credit (NOEC)** provides assistance to low- to moderate income individuals and families living in northern Ontario who can be exposed to higher energy costs due to more severe winters and heavier reliance on more expensive home heating fuels.
    - Qualifying individuals can receive up to $148 for the 2017 benefit year, and families (including single parents) can receive up to $227.
- The **Low-Income Energy Assistance Program (LEAP)** offers emergency financial assistance as on-bill assistance up to $600 annually, special customer service rules, and energy conservation programs to qualifying electricity and natural gas consumers.
- The **saveONenergy Home Assistance Program** was developed to help income-eligible consumers manage their energy costs by providing home energy efficiency assessments and energy savings measures at no cost.
    - Eligible particpants can receive energy efficient appliacnes like refrigerators and windor air-conditioners. Eligible participants in electricity heated homes can also receive a programmable thermostat, weatherstripping services and insulation services.
- The **Ontario Electricity Support Program (OESP)**, developed and implemented by the Ontario Energy Board (OEB) provides an ongoing rate reduction directly on the bills of low-income electricity consumers who have applied and meet the eligibility requirements. The OESP started January 1, 2016, when the OCEB ended.
    - The OESP provides a fixed monthly credit directly on eligible customers' bills, the amount of which will be based on a consumer's household income

and household size. This allows the program to provide the greatest benefit to low-income consumers in need of assistance.

- To help ease pressure on residential ratepayers, the government **removed the cost of the Debt Retirement Charge (DRC) from residential electricity bills** as of January 1, 2016:
    - Eliminating the DRC saves a typical residential electricity ratepayer $5.60 per month, before taxes;
    - The removal of the DRC from residential ratepayers' electricity bills was implemented through regulations to exempt residential electricity ratepayers from the DRC.
    - Non-residential electricity users already pay the DRC and will continue to pay it at the same rate; and
    - The government introduced legislation that provides a legislated date of April 1, 2018 to remove the DRC for all non-residential consumers – nine months earlier than previously estimated.
- Debt Retirement Charge (DRC) background:
    - The DRC was paid by nearly all customers in Ontario;
    - The charge of 0.7¢/kWh is set by the Ministry of Finance to pay down the debt and liabilities of the former Ontario Hydro (there are some exceptions to the 0.7¢/kWh rate);
    - The 2016 annual financial statements of the OEFC show a reduction in stranded debt of $3.7 billion, to $4.4 billion as at March 31, 2016. This was the twelfth consecutive year that the stranded debt has been reduced, by a cumulative reduction of more than $16 billion between March 31, 2004 and March 31, 2016..

<u>Electricity Conservation Programs</u>

- Ontario has a number of programs in place that help consumers save money on their electricity bills and improve their home comfort. These are delivered by electricity utilities.
- For the residential sector:
    - The saveONenergy Heating and Cooling Initiative provides rebates to help offset the cost of purchasing and installing new heating and cooling equipment in the home, such as a high efficiency furnace with an electronically commutated motor (ECM), or an ENERGY STAR certified central air conditioner.
    - saveONenergy Coupons are available in-store for one month in the spring and fall and can be downloaded year-round to use at participating retailers to help Ontarians save on a wide range of energy-efficient products including LED bulbs, power bars with integrated timers or auto-shutoff and more.
    - In October 2015, Hydro One launched Heat Pump Advantage to help customers with electric space or water heating to take advantage of new heat pump technologies. Hydro One will pay 50% of costs for an industry-leading air source heat pump and up to $800 towards costs of a heat pump water heater.