Q&A Regulated Price Plan Rates to take effect November 1, 2016
Ministry of Energy
Key Messages/Questions and Answers
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KEY MESSAGES:

- **The Ontario Energy Board (OEB) sets Regulated Price Plan (RPP) rates every 6 months based on projected supply cost so Ontarians know what to expect.**
- **Effective April 14, 2016, the OEB is 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. This decline illustrates the continued success of Ontario's conservation programs.**
- **On November 1, 2016, RPP prices will remain at the rates set in May of this year. This means most residential and small business customers will continue to pay the same Time-of-Use rates they are currently until Spring 2017.**
- **The OEB's review determined that the prices customers have been paying since May 1 will be effective at recovering forecasted costs.**
- **We're taking steps to ensure a clean, modern and reliable energy system for all Ontarians.**
- **The good news is that Ontario has already done the heavy lifting in terms of rebuilding aging transmission infrastructure and transitioning off coal-fired generation. We chose to replace coal-fired generation with cleaner sources of energy, which will not only benefit our environment but also the health of Ontarians.**

<u>Q’s and A’s</u>

Q. Did you put political pressure on the OEB to keep electricity prices from increasing?

The Ontario Energy Board (OEB) is an independent, quasi-judicial body that regulates the energy sector in the public interest. The Ministry of Energy is not involved in the OEB’s rate-setting process.

Q. How did the OEB decide that prices could remain the same?

The Ontario Energy Board (OEB) calculates electricity prices largely by forecasting the electricity demand and estimating the expected costs to supply power to meet the demand for a full year.

In its review for November 1, 2016, the OEB determined that the prices Regulated Price Plan (RPP) customers have been paying since May 1, 2016 will be effective at recovering forecasted costs. Prices for these customers will remain unchanged until at least April 30, 2017.

If pressed:

The Regulated Price Plan (RPP) prices are not changing on November 1st because an increase in costs associated with the RPP variance account is expected to be offset by a slight reduction in supply costs.

Q. The Ontario Electricity Financial Corporation (OEFC) is currently involved in litigation with some non-utility generators (NUGs). Is this affecting RPP prices?

The Ontario Electricity Financial Corporation (OEFC) is currently involved in litigation with non-utility generators (NUGs) over payments provided to the NUGs through their power purchase agreements.

While the Supreme of Canada’s decision in this case has not yet been delivered, the OEB has a responsibility to reflect the potential fiscal impact in its RRP prices.

Approximately $75 million has been included by the OEB in the calculation of the Regulated Price Plan (RPP) rates. However, due to other offsetting factors, RPP rates are not increasing for Ontario consumers.

As this matter is related to legacy NUG contracts, further questions should be directed to the OEFC.

Q. Did the OEB include a carbon cost in its calculation of RPP rates?

Yes, the Ontario Energy Board (OEB) included as estimated carbon cost in its forecast. However, due to other offsetting factors, Regulated Price Plan (RPP) rates are not increasing for Ontario consumers.

If pressed on the budget commitment of $2 decrease for residential consumers:

We are going beyond the $2 commitment by introducing new measures that would take effect January 1, 2017, including:

- Rebating provincial portion of the HST to reduce eligible residential, small business and farm electricity bills by 8% ($130 annually); and

- Providing eligible rural ratepayers with additional relief, decreasing total electricity bills by an average of $540 a year or $45 each month.

This is in addition to our existing suite of conservation and rate mitigation programs.

Q. How much have electricity bills increased since 2003?

According to Statistics Canada, the average annual increase in electricity prices over the last ten years has been less than the average annual increase in the price of water, fuel oil, and gasoline.

For a typical Toronto Hydro residential consumer, monthly electricity bills have increased from about $84 in 2003 to about $157 as of November 1, 2016 – an increase of 87%.

Q. What are you doing to help families with hydro costs?

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. Despite consistent economic growth since the global recession, many families aren't feeling Ontario's resurgence in their everyday lives.

We also recognize that rebuilding and cleaning up Ontario's electricity system has come at a cost. Over the last decade we've rebuilt our transmission and distribution grid, we've invested in clean generation, and we've closed the last dirty coal-fired power plant. But we need to take the next step in ensuring that clean, reliable system is affordable.

We are introducing new measures that would take effect January 1, 2017, including:

- Rebating provincial portion of the HST to reduce eligible residential, small business and farm electricity bills by 8% ($130 annually);

- Providing eligible rural ratepayers with additional relief, decreasing total electricity bills by an average of $540 a year or $45 each month (inclusive of the 8% rebate); and

- Empowering additional large electricity consumers to reduce bills by up to one third through the Industrial Conservation Initiative (ICI). **Note:** The rate mitigation will only benefit commercial and industrial electricity consumers.

Taken together, this plan represents one of the single largest actions to reduce costs for electricity consumers in the province's history. It will provide needed assistance to consumers of all sizes, and it targets support to those that need it most.

Q. What else is the government doing to help Ontarians with the cost of electricity in Ontario?

The government understands the financial pressures that rising hydro costs are putting on some Ontarians.

Ontario also has several initiatives in place that are helping consumers to manage rising energy prices, including:

- 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.

- Eliminating the **Debt Retirement Charge** (DRC) for residential customers On January 1, 2016. This will save a typical residential electricity ratepayer who consumes 750 kWh per month about $65 per year. The DRC will be removed from Commercial and Industrial bills starting April 1, 2018.

- The **Northern Ontario Energy Credit** (NOEC), which continues to provide targeted 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.

- The **Ontario Energy and Property Tax Credit** (OEPTC), which provides low- to moderate-income individuals and families with relief on the sales tax they pay on energy and with their property taxes.

In addition, the Ontario Energy Board (OEB) has also implemented a province-wide strategy through the Low-Income Energy Assistance Program (LEAP) that includes access to financial assistance, special rules and conservation programs to help qualifying low-income consumers in critical financial need.

Q. Even with these price mitigation efforts, Ontarians will still likely struggle to pay their electricity costs. What are you going to do to stop further increases in the future?

We're taking steps to ensure a clean, modern and reliable energy system for all Ontarians.

The good news is that Ontario has already done the heavy lifting in terms of rebuilding aging transmission infrastructure and transitioning off coal-fired generation. Because of these investments, Ontarians aren't forecast to see the kind of energy cost increases coal-dependent provinces like Alberta and Saskatchewan are.

Ontario's 2013 Long-Term Energy Plan (2013 LTEP) forecasted a typical monthly residential bill of $167 in 2016. On a 750 kWh per month basis, actual and forecast monthly bills are $157 and $159 respectively.

Over the forecast period, the average annual increase in consumers' costs is generally in-line with expected inflation, which averaged about 1.7% over the last ten years (2006-2015).

Q. What is the Global Adjustment (GA) and who pays it? Is it factored into the RPP prices?

Global Adjustment (GA) was introduced in 2005 to ensure that new generators had sufficient revenue certainty to warrant investment in Ontario's electricity system.

All customers pay global adjustment, which reflects costs associated with contracted and regulated generation, such as nuclear, natural gas, renewables. It also reflects the cost of conservation and demand management programs.

Global Adjustment is included in the cost to provide electricity and is therefore reflected in the Regulated Price Plan (RPP) prices.

Q. The Ontario Energy Board (OEB) undertook a comprehensive review of the RPP in November 2015, entitled the "Regulated Price Plan Roadmap." How will the RPP be updated to reflect the findings in the RPP Roadmap?

On November 16, 2015, the OEB released its *Regulated Price Plan Roadmap* identifying a 5-point plan for redesigning the Regulated Price Plan (RPP). The OEB expects to implement this plan over the next 3 to 5 years.

The 5-point plan includes:

1. **Renewing RPP Objectives:** OEB will update the RPP objectives to place a greater focus on peak demand reduction, efficient system operation and long-run system costs.

2. **Empowering Consumers / Enhancing Energy Literacy and Non-price Tools:** OEB will explore opportunities to improve TOU communication, launch benchmarking pilots and undertake data collection initiatives aimed at enhancing consumer understanding and ability to respond to a pricing plan.

3. **Price Pilots:** OEB will design and execute pilots to assess customer response to alternative price structures.

4. **Engaging with Low Volume Business Consumers:** OEB intends to undertake a significant data collection initiative to better understand the needs of small business consumers.

5. **Working with Government to Reduce Barriers:** OEB will work with the government and IESO to reduce barriers to set optimal pricing.