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

Regulated Price Plan (RPP) – May 1, 2017

CONFIDENTIAL ADVICE FOR GOVERNMENT

April 2017

Agenda

1. **RPP overview**
2. **Summary of results**
3. **Forecast RPP supply cost prior to consideration of the proposed Fair Hydro Plan**
4. **Forecast RPP supply cost with consideration of the proposed Fair Hydro Plan**
5. **RPP TOU and Tier prices**

RPP Overview

- The OEB reviews commodity prices for residential and small business customers on the Regulated Price Plan (RPP) twice each year - May & Nov
  - These prices are shown in the electricity line of the bill
- ~5M low volume consumers are eligible for the RPP
- A little more than 40% of Ontario consumption is subject to RPP prices
- Prices based on Navigant's rolling, 12-month cost forecast of:
  - Wholesale Market Prices
  - Global Adjustment
  - Adjustment for Unfavourable Variance Bias
  - Adjustment to Clear Variance Account Balance

  \+ an adjustment for a portion of the estimated bill reductions in the proposed Fair Hydro Plan
- **RPP announcement planned for Thursday April 20th; prices effective May 1st**

Summary of Results

- The OEB has considered it appropriate to take into account a portion of the estimated impact of the proposed Fair Hydro Plan in its forecasting
  - This is consistent with the OEB's past practice of smoothing significant forecast price changes for customers
  - Without consideration of the proposed Fair Hydro Plan, supply costs would otherwise have increased by approximately 3% from current supply costs
- The government has indicated that it intends to introduce legislation that would, if passed, implement the proposed Fair Hydro Plan. After that, the OEB will review RPP prices and adjust them as required.
- Time of Use Rate Ratios remain in line with prior 1.0/1.5/2.0 split
- For a typical household that consumes 750 kWh per month, under the new prices the total bill will be lower by $22 per month (or 15%) relative to the last announcement of RPP prices

Forecast RPP Supply Cost (Without Proposed Fair Hydro Plan Adjustment)

RPP Supply Cost Summary
for the period from May 1, 2017 through April 30, 2018

	Current Period	*May 1, 2016*	*Change*	
Load-Weighted Price for RPP Consumers ($/MWh)	$24.83	$18.59	**$6.24**	34%
Impact of the Global Adjustment ($/MWh)	+ $87.67	$90.86	**($3.18)**	-4%
Adjustment to Address Bias Towards Unfavourable Variance ($/MWh)	+ $1.00	$1.00	$0	0%
Adjustment to Clear Existing Variance ($/MWh)	+ $1.41	$0.97	**0.44**	45%
Average Supply Cost for RPP Consumers ($/MWh)	**=$114.90**	$111.41	$3.49	**3.1%**

- Without adjustment for the estimated impact of the proposed Fair Hydro Plan, all-in costs expected to rise $3.49/MWh to $114.90/MWh
- Analysis includes actual GA costs through February 2017 and market costs through March 2017
- Forecast would result in a 3.1% increase to RPP prices

**GA impact includes an adjustment for OPG proposed rates, but not the Fair Hydro Plan*

Forecast RPP Supply Cost: Assumptions

- Higher commodity costs forecast primarily as a result of:
  - Higher market prices
  - Higher natural gas prices for generation
  - Additional renewable generation coming online, as well as the Napanee plant
- HOEP is expected to be 19% higher than the previous forecast period primarily due to higher gas prices, and despite slightly lower demand and higher availability of nuclear resources
- Consistent with historical practice of smoothing significant forecast price changes for customers, 50% of OPG's requested rate increase has been included in the forecast
  - This increase in regulated rates for OPG is offset by higher earnings through the market and the elimination of a rate rider in January 2017
- A decrease in the OEFC and OPG components of the GA are partially offset by increases in the IESO component

Forecast GA Components (Without Proposed Fair Hydro Plan Adjustment)

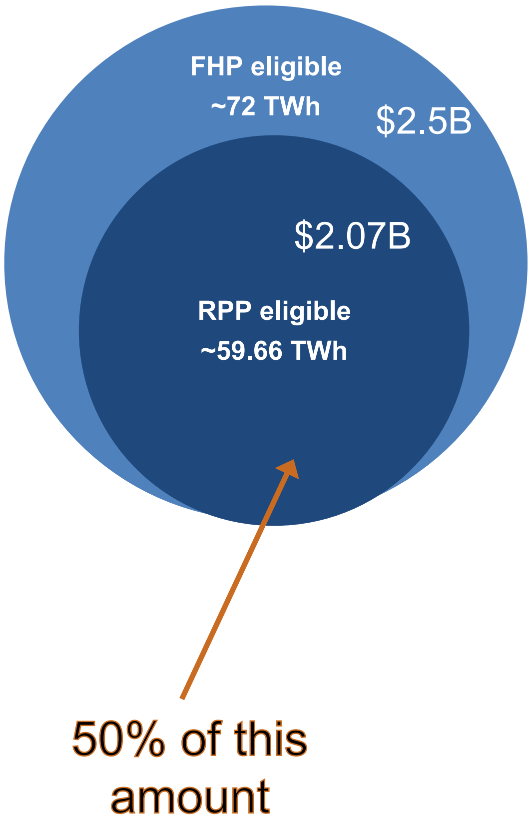
	Global Adjustment ($)
OPG	
Nuclear	-$425 M
Hydro	-$178 M
TOTAL OPG	**-$603 M**
TOTAL OEFC (NUGs)	**-$331 M**
IESO	
Bruce A & B	-$60M
Renewables	+$350M
Gas	+$134M
Lennox	+$3M
CDM	-$51M
TOTAL IESO	**+$376M**
TOTAL GA	**-$558 M**
vs. May 2016	**-$3.19 / MWh**

Forecast RPP Supply Cost and Bills (Without Proposed Fair Hydro Plan Adjustment)

OEB Typical Customer, 750kWh	Prices at November 1, 2016	Forecast RPP with no Adjustment for the Proposed Plan (May 1, 2017)
HOEP	$18.59	$24.83
GA	$90.86	**$87.67**
Stochastic Adjustment	$1.00	$1.00
Variance Account Clearance	$0.97	$1.40
Supply cost	$111.41	**$114.90**
Electricity	$83.54	$86.30
Delivery (including losses)	$43.52	$43.36
Regulatory	$4.98	$4.69
Subtotal with HST	$149.21	**$151.81**
Total with HST Rebate	**-**	**$141.06**

Accounting for a Portion of the Fair Hydro Plan

- The OEB is taking into account a portion of the estimated impact of the proposed Fair Hydro Plan, consistent with the OEB's past practice of smoothing significant forecast price changes for customers
- The OEB has applied 50% of the RPP portion of the expected \$2.5B GA reduction in the Government's forecast
  - For RPP-eligible customers, this amounts to a GA reduction of about ~\$1B
- The OEB intends to post the Minister's April 10 letter and attachment on its website with the RPP announcement and associated materials
- The government has indicated that it intends to introduce legislation that would, if passed, implement the proposed Fair Hydro Plan
  - After that, the OEB would review RPP prices and adjust them as required



Fair Hydro Plan Assumptions

- The OEB expects the following values will be made public at the time of its announcement of new RPP prices:
  - RPP eligible volumes = 59.66 TWh (OEB Forecast)
  - Fair Hydro Plan eligible volumes = 72.0 TWh (Ministry Forecast)
  - Estimated total $2.5B GA reduction over the period from May 1, 2017 to April 30, 2018 under proposed Fair Hydro Plan, for all customers that are eligible for the Plan.
  - 25% reduction is measured relative to what prices otherwise would have been

Fair Hydro Plan-eligible customers are RPP-eligible customers (whether or not on RPP) as well as those eligible for the 8% rebate

Forecast RPP Supply Cost (With Proposed Fair Hydro Plan Adjustment)

OEB Typical customer, 750kWh	Prices at November 1, 2016	Forecast RPP with no Adjustment for the Proposed Plan (May 1, 2017)	RPP Prices with Adjustment for the Proposed Plan (May 1, 2017)
HOEP	$18.59	$24.83	$24.83
GA	$90.86	$87.67	$70.39
Stochastic Adjustment	$1.00	$1.00	$1.00
Variance Account Clearance	$0.97	$1.40	$1.40
Supply cost	$111.41	**$114.90**	**$97.62**
Electricity	$83.54	$86.30	$73.14
Delivery (including losses)	$43.52	$43.36	$42.70
Regulatory	$4.98	$4.69	$4.69
Subtotal with HST	**$149.21**	**$151.81**	**$136.19**
Total with HST Rebate		**$141.06**	**$126.55**
Reduction vs. Prices at November 1, 2016			**$22**
% Reduction			**15%**

RPP TOU & Tiered Prices

- RPP prices have declined by 12% from the prices in effect at the last RPP announcement with the inclusion of a portion of the estimated impact of the proposed Fair Hydro Plan

Figures in ¢/kWh (Unless otherwise stated)		Prices at November 1, 2016	Forecast RPP with no Adjustment for the Proposed Plan	New RPP Prices with Adjustment for the Proposed Plan	Decrease in Prices from Existing, using New Prices
TOU Prices	Off	**8.7**	9.1	**7.7**	11.5%
	Mid	**13.2**	13.3	**11.3**	14.4%
	On	**18.0**	18.5	**15.7**	12.8%
Tier Prices	Tier 1	**10.3**	10.7	**9.1**	11.7%
	Tier 2	**12.1**	12.5	**10.6**	12.4%
Average RPP Supply Cost ($/MWh)		**$111.41**	$114.90	**$97.62**	**12.2% ↓**

Questions?