Request

Can we get a response to the q about how renewable contract prices are higher than the price paid per kw/h (TOU)? In addition to the GA explanation, we hope the answer could include the change in prices per kw/h for renewable contracts "We've been able to reduce the price per kw/h by ____ (from ____ to ____) since the introduction of renewable energy generation in Ontario in _____(year)".

Proposed response

Time of Use Prices

Most residential electricity consumers in the province pay time-of-use (TOU) prices that are adjusted twice a year, in May and November. TOU prices are set by the Ontario Energy Board (OEB) under the Regulated Price Plan.

OEB bases rates on an estimate of how much it will cost to supply the province with electricity for the next year. Many factors go into this estimate, including:

- The amount of power OEB expects consumers to use.
- The types of power that will be available (like nuclear, hydroelectric, natural gas, renewable), and at what cost.

TOU rates are designed to reflect the cost of producing electricity at different times of the day. Electricity prices are lower when demand is low (off-peak) and can be satisfied with lower cost sources of generation (e.g. nuclear) and prices rise as demand increases (on-peak) and more expensive forms of generation (e.g. renewables, natural gas) are called upon. TOU prices, as of November 1, 2016 are 8.7 cents/kWh for off-peak, 13.2 cents/kWh for mid-peak and 18 cents/kWh for on-peak. These prices reflect the estimated cost of providing generation to the province at different times of the day.

The cost of generating the electricity used by consumers can be found on the “Electricity” line of their bills. The cost of generating electricity is only one part of a residential electricity bill. Residential consumers also pay Delivery and Regulatory Charges.

For more information on the components of a typical electricity bill, please see the OEB’s website:
http://www.ontarioenergyboard.ca/OEB/Consumers/Electricity/Your+Electricity+Bill

Renewable Energy Prices

Ontario’s renewable energy procurements were designed to stimulate the development of significant renewable energy resources and support economic growth and job creation domestically. Since 2009 the Feed-in Tariff (FIT) program has helped to bring online clean, renewable energy generation that has helped phase out the use of coal-fired generation.

The Ontario FIT and microFIT programs provide opportunities for communities and homeowners to develop their own small-scale renewable energy projects. The FIT and microFIT programs pay renewable energy generators fixed prices over long term power purchase agreements for the clean power they provide to the grid. FIT and microFIT prices are designed to cover project costs, plus a reasonable rate of return. Under the FIT and microFIT programs, prices for new solar projects have been reduced between 50 percent and 75 percent since 2009, reflecting the decrease in project development costs over time.

Ontario's approach to procuring large scale renewable energy projects has helped drive renewable energy prices even lower. The first phase of the Large Renewable Procurement (LRP I) launched in 2014 introduced strong competition among developers of large renewable projects, helping to drive down price and secure clean, reliable generation for the province. The results for LRP I show that the weighted average price for solar projects (15.7 ¢/kWh) was more than 40 percent below the maximum price accepted under the procurement, and the weighted average price for wind projects (8.6 ¢/kWh) was more than 20 percent below the maximum price accepted under the procurement.

Generation

In Ontario, generators are paid a contract or regulated price for electricity they produce. These costs are recovered through two mechanisms, the Hourly Ontario Electricity Price (HOEP) and the Global Adjustment (GA). HOEP is the wholesale price for electricity and fluctuates in response to hour-to-hour changes in supply and demand. GA makes up the difference between HOEP and the generator's contract or regulated price, ensuring generators are able to fully recover their costs. Together, HOEP and GA cover the cost of generating electricity. GA also includes the cost of most conservation programs in Ontario.

I hope this information is helpful. For further information about renewable energy development in Ontario you can contact the Ministry of Energy's Renewable Energy Facilitation Office (REFO) at REFO@ontario.ca or by phone at 1-877-440-7336 (416-212-6582 within the GTA).

I am pleased to say that earlier this fall the Ministry of Energy launched consultations for the next Long-Term Energy Plan (. I encourage you to participate by visiting: http://Ontario.ca/EnergyTalks