

Regulated Price Plan (RPP)

Presentation to the Ministry of Energy
May 1, 2018 RPP Price Setting

CONFIDENTIAL

Agenda

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1. Overview
2. RPP TOU and Tiered prices
 - As set for May 1, 2018 - April 30, 2019
 - What prices would have been absent the FHP
3. GA modifier
4. Supply cost breakdown



Overview: RPP Prices and GA Modifier

- For the May 1, 2018 – April 30, 2019 period, the OEB has established the following in accordance with legislative requirements:
 - TOU RPP Prices
 - Tiered RPP Prices
 - GA Modifier
 - The TOU and Tiered RPP prices that would have been effective May 1, 2018 absent the FHP
- Detailed analyses underpin the prices:
 - RPP and GA Modifier Report identifies RPP prices and the GA modifier
 - RPP Supply Cost Report forecasts the cost of supply for RPP customers
 - Wholesale Electricity Market Price Forecast Report to support the Supply Cost Report
- These 3 reports will be posted on the OEB's website.



Overview: Fair Hydro Plan (FHP) and the RPP

Starting point: Pre-FHP bill (May 2017 w/o consideration of FHP)

The bill of a hypothetical Toronto Hydro customer with a typical consumption pattern and volume (750 kWh)

First Adjustment (July 2017)

Set RPP prices so that this customer's bill is reduced by 25% overall, taking FHP measures into consideration.

Subsequent Adjustment (May 2018)

Set RPP prices so that the July 1, 2017 bill rises by the rate of inflation

Charge	
Electricity	\$86.30
Losses	\$3.24
Delivery	\$47.94
Regulatory	\$5.54
HST	\$18.59
Total Monthly Bill	\$161.61

Charge	
Electricity	\$61.62
Losses	\$2.32
Delivery	\$47.94
Regulatory	\$3.28
HST/OREC	\$5.76
Total Monthly Bill	\$120.92

Charge	
Electricity	\$61.49
Losses	\$2.31
Delivery	\$49.90
Regulatory	\$3.28
HST/OREC	\$5.85
Total Monthly Bill	\$122.83

For eligible customers not on RPP, the OEB must also set a GA credit (called the GA modifier) to deliver a corresponding level of benefit.



RPP Prices and GA Modifier for May 1, 2018 – April 30, 2019

Price	Description						
RPP TOU	Mid-peak price declines by 0.1¢/kW, all other prices held constant to current levels. <table><tr><th>Off-peak</th><th>Mid-peak</th><th>On-peak</th></tr><tr><td>6.5¢/kWh</td><td>9.4¢/kWh</td><td>13.2¢/kWh</td></tr></table>	Off-peak	Mid-peak	On-peak	6.5¢/kWh	9.4¢/kWh	13.2¢/kWh
Off-peak	Mid-peak	On-peak					
6.5¢/kWh	9.4¢/kWh	13.2¢/kWh					
RPP Tiered	Tier 1 price remains unchanged and the Tier 2 price drops by 0.1¢/kWh from current levels. <table><tr><th>Tier 1 Price</th><th>Tier 2 Price</th></tr><tr><td>7.7¢/kWh</td><td>8.9¢/kWh</td></tr></table>	Tier 1 Price	Tier 2 Price	7.7¢/kWh	8.9¢/kWh		
Tier 1 Price	Tier 2 Price						
7.7¢/kWh	8.9¢/kWh						
GA Modifier	The GA Modifier has increased approximately \$11.50/MWh. <table><tr><th>GA Modifier</th></tr><tr><td>\$44.38/MWh</td></tr></table>	GA Modifier	\$44.38/MWh				
GA Modifier							
\$44.38/MWh							

What RPP Prices Would Otherwise have Been May 1, 2018

Price	Description										
RPP prices absent the FHP	FHP legislation requires the OEB to calculate what prices would have been effective May 1, 2018 absent the FHP. This includes both RPP TOU and RPP Tiered prices, which are shown in the tables below. Non-FHP RPP TOU Prices <table><tr><th>Off-peak</th><th>Mid-peak</th><th>On-peak</th></tr><tr><td>10.0¢/kWh</td><td>14.6¢/kWh</td><td>20.3¢/kWh</td></tr></table> Non-FHP RPP Tiered Prices <table><tr><th>Tier 1 Price</th><th>Tier 2 Price</th></tr><tr><td>11.8¢/kWh</td><td>13.8¢/kWh</td></tr></table>	Off-peak	Mid-peak	On-peak	10.0¢/kWh	14.6¢/kWh	20.3¢/kWh	Tier 1 Price	Tier 2 Price	11.8¢/kWh	13.8¢/kWh
Off-peak	Mid-peak	On-peak									
10.0¢/kWh	14.6¢/kWh	20.3¢/kWh									
Tier 1 Price	Tier 2 Price										
11.8¢/kWh	13.8¢/kWh										



May 1, 2018 RPP TOU & Tiered Prices

- Reduction in RPP prices directly linked to the January 1, 2018 increase in the delivery line of the hypothetical customer's bill.

TOU RPP	Off-Peak	Mid-Peak	On-Peak	Average Price
May 1, 2018 ¢/kWh	6.5¢	9.4¢	13.2¢	8.2¢
Current ¢/kWh	6.5¢	9.5¢	13.2¢	8.2¢

RPP Tiered	Tier 1	Tier 2	Average Price
May 1, 2018 ¢/kWh	7.7¢	8.9¢	8.2¢
Current ¢/kWh	7.7¢	9.0¢	8.2¢

- TOU prices retain the current ratio between off-, mid- and on-peak prices.

TOU Price Setting Date	Ratios between Off/Mid/On-peak Prices
May 1, 2017	1 : 1.47 : 2.04
Current Ratio (July 1, 2017)	1 : 1.46 : 2.03
May 1, 2018	1 : 1.45 : 2.03

Meeting the Rate of Inflation Target

- Per FHP legislation, the inflation rate used to establish RPP prices is calculated as the percentage year-over-year change in the annual average of monthly Ontario CPIs (i.e., Mar. 2016 - Feb 2017 vs. Mar 2017 – Feb 2018).
- TOU pricing structure results in hypothetical customer's monthly bill being within \$0.05 of the targeted rate of inflation increase.

Month	Ontario CPI	Month	Ontario CPI
Mar 2016	129.0	Mar 2017	131.4
Apr 2016	129.6	Apr 2017	132.0
May 2016	130.1	May 2017	131.9
Jun 2016	130.4	Jun 2017	132.1
Jul 2016	130.3	Jul 2017	131.9
Aug 2016	129.9	Aug 2017	131.8
Sep 2016	130.1	Sep 2017	132.3
Oct 2016	130.6	Oct 2017	132.3
Nov 2016	130.2	Nov 2017	132.7
Dec 2016	130.0	Dec 2017	132.0
Jan 2017	130.8	Jan 2018	133.2
Feb 2017	131.2	Feb 2018	134.0
Average	130.2	Average	132.3
Inflation rate		1.6%	

	Amount
Previous bill (July 1, 2017)	\$120.92
Rate of inflation	1.63%
Bill increase amount = previous bill X CPI	\$1.96
Total target new bill	\$122.88
New monthly bill based on new RPP prices	\$122.83



GA Modifier

- The GA Modifier is based on the difference between what May 1, 2018 RPP prices would have been without the FHP and the new RPP prices

	Without FHP	With FHP	Effect of FHP
2017-2018			
Electricity Charges (\$/Month)	\$86.30	\$61.62	(\$24.68)
GA Modifier (\$/MWh)			(\$32.90 or 3.3¢/kWh)
2018-2019			
Electricity Charges (\$/Month)	\$94.78	\$61.49	(\$33.29)
GA Modifier (\$/MWh)			(\$44.38 or 4.4¢/kWh)

- GA modifier provides a level of benefit that corresponds with the benefit being provided to the proxy customer through the new RPP prices

What Prices Would Otherwise Have Been

- As part of calculating the GA Modifier, FHP legislation requires the OEB to calculate what rates would have been absent the FHP
 - FHP reduces the hypothetical customer's bill ~\$36.26/month (or ~\$435 annually)

Charges	No FHP	With FHP
Electricity	\$94.77	\$61.49
Losses	\$3.53	\$2.31
Delivery	\$49.90	\$49.90
Regulatory	\$3.28	\$3.28
HST/ORECA	\$7.58	\$5.85
Total Bill	\$159.09	\$122.83

Non-FHP TOU prices used to calculate the cost of electricity and losses:

On-peak: **20.3¢/kWh**
Mid-peak: **14.6¢/kWh**
Off-peak: **10.0¢/kWh**

Non-FHP influenced Tiered prices: Tier 1 = **11.8¢/kWh** Tier 2 = **13.8¢/kWh**



RPP Supply Cost Breakdown

RPP Supply Cost Comparison Summary			
	May 2018	May 2017	Change
Load-weighted Price for RPP Consumers (\$/MWh)	\$21.57	\$24.83	(\$3.26)
Global Adjustment (\$/MWh)	\$103.80	\$87.67	\$16.13
Stochastic Adjustment	\$1.00	\$1.00	\$0.00
Adjustment to Clear Variance Account (\$/MWh)	N/A	\$1.40	(\$1.40)
Avg. Supply Cost for RPP Consumers	\$126.37	\$114.90	\$11.47 or 10%

- Significant drivers of supply cost increase include:
 - OPG's new payment amounts
 - Expansion of ICI eligibility criteria
 - Changes to Ontario's supply mix
 - Forecast natural gas prices