



Ontario Energy Board

Smarter Prices for Electricity Consumers: The Regulated Price Plan and Roadmap for the Future

The Regulated Price Plan

- Since 2005, the Ontario Energy Board (OEB) has set electricity prices – known as the Regulated Price Plan (RPP) – that apply to most residential and small business consumers in the province. The RPP is designed to provide consumers with stable and predictable electricity pricing that is easy to understand and that encourages conservation while recovering the cost of supply over time as required by law.
 - About 4.9 million customers are eligible for the RPP, and it currently covers about 40% of Ontario's overall annual electricity consumption at an annualized value of about \$6.5 billion.
 - Most RPP consumers are on time-of-use (TOU) pricing. The cost of using electricity is lowest in off-peak periods and highest in on-peak periods, with mid-peak prices falling between the two. These TOU periods change with the season to reflect seasonal changes in usage patterns. By law, off-peak periods must include weekends, holidays and 7 p.m. to 7 a.m. on weekdays.
 - A small minority of residential customers, typically in more remote locations not readily accessible by smart meter systems, and some small business customers pay tiered RPP prices. Under tiered pricing, there is one price for electricity used up to a threshold amount per month and a higher price for electricity used beyond that amount. For residential customers, the threshold amount changes with the season to reflect seasonal changes in usage patterns. The threshold amount for small business customers is higher and stays the same throughout the year.

Time-of Use RPP Prices (May 1- Oct 31, 2016)	Off-Peak	Mid-Peak	On-Peak
Price (¢/kWh)	8.7	13.2	18.0
Tiered RPP Prices	Tier 1	Tier 2	
Price (¢/kWh)	10.3	12.1	

- RPP prices are set on a forecast basis using two basic steps: (i) estimating how much it will cost to supply RPP consumers with electricity over a 12-month period (including their share of the Global Adjustment); and (ii) setting prices that recover that cost over the 12-month period. Any differences between forecast and actual costs are tracked in an account by the Independent Electricity System Operator and reflected in RPP prices the next time that prices are set by the OEB.

- The OEB reviews RPP prices every 6 months and adjusts them as required to reflect changes in supply costs, with any pricing changes taking effect on May 1 and November 1. We currently expect that the most significant sources of change in the forecast of costs to be considered this fall will arise from Ontario Power Generation's application for payment amounts for its generation facilities, which is currently before the OEB, and the Cap and Trade regime that will take effect on January 1, 2017.

Roadmap for the Future

- In 2014 and 2015, the OEB undertook a comprehensive review of the RPP to ensure that the RPP pricing structure meets consumer expectations and the challenges of the future. We conducted extensive consumer research, including surveys and focus groups, and applied a behavioural economics approach to review and assess how consumers respond to the current pricing structure and other types of price and non-price tools.
- The OEB's November 2015 [Regulated Price Plan Roadmap](#) sets out a comprehensive plan for revamping the RPP to better respond to policy objectives, improve system efficiency and give consumers greater control. Ultimately, the RPP must provide fair, stable and predictable prices for consumers.
 - An objective of RPP pricing has always been to give consumers incentives and opportunities to reduce their electricity bills by shifting their time of electricity use. We have added peak demand reduction to that objective.
 - More work is needed and will be done to ensure that the RPP pricing structure is easily understood by consumers.
 - A new objective for the RPP is to support the achievement of efficient electricity system operation and investment.
- Having updated the objectives for RPP pricing, the OEB is moving ahead with implementation of the other elements of the Roadmap with a view to having all pilot-related work completed by 2018 and final price designs for the RPP in place by 2020.
 - Price pilots will be conducted by electricity distributors. The pilots will test existing and new pricing structures, including critical peak pricing and an enhanced TOU structure. OEB guidelines for the pilots will be issued shortly, and pilots will be selected in the fall and run for 12 months.
 - Non-price pilots to test new technologies and systems that can provide consumers with more and better information and a greater ability to control their usage, including bill presentation options, are being identified over the next few weeks.
 - Engagement with small business consumers to develop pricing models that are better suited to them and that will achieve system efficiency is planned for this fall. Specific targeted pricing pilots will be designed for these consumers.

- Empowering consumers and enhancing consumer literacy are key OEB objectives, and efforts will continue as part of the OEB's broader energy literacy project
- We are also working with the Ministry of Energy to address legislative barriers to more effective and efficient pricing.
 - Proposals to allow pricing options with peak times later than 7 p.m., which would better support conservation and reduce the impact on system operations that results from the mandatory 7 p.m. to 7 a.m. off-peak requirement
 - Proposals to allow commercial and industrial consumers that are not eligible for the RPP to see better price signals through the Global Adjustment. Currently, these Class B consumers pay the Global Adjustment on a flat volumetric basis, and are being subsidized by RPP consumers
 - Proposals to allow the OEB flexibility to play a more active role in the design and content of the electricity bill to enhance consumer understanding and support new information tools such as improved representations of TOU prices

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