ONTARIO ENERGY BOARD | COMMISSION DE L'ÉNERGIE DE L'ONTARIO

BACKGROUNDER

April 19, 2018

Electricity Prices Virtually Unchanged as of May 1

Reason for New Prices	The Ontario Energy Board (OEB) has set new Regulated Price Plan (RPP) electricity prices on the basis of the rate of inflation as required by the *Ontario Fair Hydro Plan Act, 2017.* The OEB has also reset the credit for customers that are eligible under the *Ontario Fair Hydro Plan Act, 2017* but are not paying RPP prices. This credit reduces the Global Adjustment (GA) charges paid by these customers. The new RPP prices and GA credit will apply to electricity from May 1, 2018 to April 30, 2019, as required by the *Ontario Fair Hydro Plan Act, 2017*. The prices and credit will not be adjusted in November 2018, although the RPP time-of use price periods and the tier threshold for households will change on November 1, 2018.
Bill Impact of New Prices	With the new RPP prices that start to apply on May 1, the total bill will be about $123 for the "proxy" customer described under the *Ontario Fair Hydro Act Plan, 2017*, which is about $2 or 1.6% higher than the proxy customer's bill when RPP prices were set under that *Act* effective July 1, 2017. Because the RPP prices calculated for this proxy customer apply to all RPP customers, the total bill impact for individual customers across the province may vary depending on the customer's electricity usage and the utility that serves them. The GA credit is designed to provide eligible non-RPP customers with a level of benefit that corresponds with the benefit being provided to the proxy customer through the RPP prices announced today. The GA credit amount effective May 1, 2018 is $44.38/MWh or 4.4 cents/kwh.
Who is Affected?	Historically, when the OEB set electricity prices the changes usually affected only residential and small business customers that buy their electricity from their utility and are covered by the RPP.

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	Under the *Ontario Fair Hydro Plan Act, 2017,* a larger number of customers are affected. The GA credit that has been reset by the OEB for May 1, 2018 applies to: • customers that are eligible for the RPP but have chosen a contract with an energy retailer or market-based pricing; and • customers that are not eligible for the RPP but are eligible for the 8% rebate that came into effect on January 1, 2017 under the *Ontario Rebate for Electricity Consumers Act, 2016.* For these customers, the GA credit reduces the amount of the GA on their bills.
What is Meant by a "Proxy" Customer?	Because distribution rates vary across the province and customers use different amounts of electricity, the *Ontario Fair Hydro Plan Act, 2017* establishes a "proxy" customer for the OEB to use when setting RPP electricity prices. Under the *Ontario Fair Hydro Plan Act, 2017,* the proxy customer is described as a residential customer of Toronto Hydro who uses 750 kWh a month, pays time-of-use (TOU) RPP prices and has the TOU consumption profile of a typical residential customer. As required by the *Ontario Fair Hydro Plan Act, 2017,* the new RPP prices have been set by the OEB so that the proxy customer's bill increases by the rate of inflation relative to what it was on July 1, 2017. These new prices apply to all RPP customers across Ontario. The total bill impact for individual customers across the province may vary depending on the customer's electricity usage and the utility that serves them.
What is the GA Credit?	Customers that are not on the RPP but that are eligible under the *Ontario Fair Hydro Plan Act, 2017* see their bills affected through a reduction in their GA charges in each billing period. These customers include those that are eligible for the RPP but have chosen a contract with an energy retailer or market-based pricing instead. The GA credit is designed to provide these customers with a level of benefit that corresponds with the benefit being provided to the proxy customer through the RPP prices announced today. It is based on the difference between what RPP prices would have been on May 1, 2018 without the *Ontario Fair Hydro Plan Act, 2017* and the new RPP prices that have been set by the OEB effective May 1, 2018. Utilities and the IESO, where applicable, will apply the GA credit to each eligible customer's consumption to reduce the GA charges they otherwise would have paid.

What is the GA?	Most electricity generating companies get a guaranteed price for the electricity that they produce. The Global Adjustment (GA) is the difference between that guaranteed price and the money the generators earn in the wholesale marketplace. The GA also covers the costs of some conservation programs. All electricity consumers have to pay their share of the GA. Under the *Ontario Fair Hydro Plan Act, 2017*, some GA costs are being refinanced over a longer term, but the large proportion is still being recovered from customers today. For residential and small business customers that buy their electricity from their utility and pay RPP prices, their share of the GA is included in their RPP prices. Other customers, like those that have a contract with an energy retailer, pay their share of the GA on top of their electricity price. The GA appears as a separate line item on their bills.
Are some consumers seeing their bills go up by more than the rate of inflation?	As set out under the *Ontario Fair Hydro Plan Act, 2017*, the OEB must set RPP prices so that the proxy customer's bill on May 1, 2018 increases by the rate of inflation relative to the proxy customer's bill on July 1, 2017. Based on the rules set out in that *Act*, the rate of inflation is 1.63%. Delivery charges for the proxy customer have gone up since July 1, 2017, and translate to an increase in the total bill of 1.7%. In order for the increase to the proxy customer's bill to be held to the rate of inflation on May 1, 2018, as required by the *Ontario Fair Hydro Plan Act, 2017*, RPP prices had to be reduced marginally from the July 1, 2017 prices.
Time-of-use Pricing	With TOU prices, customers pay prices that generally reflect the relative value of electricity supply at different times of the day. There are three TOU periods – on-peak, mid-peak and off-peak. Prices are highest during on-peak, lower during mid-peak and lowest during off-peak. TOU prices encourage households and small businesses to use electricity during lower-cost time periods. This can ease pressure on the provincial electricity system, and can also benefit the environment. Nearly all residential customers and many small business customers on the RPP pay TOU prices.

Ratio Between On/off peak	The on-peak price is more than double the off–peak price. This encourages customers to shift their consumption and conserve power when it costs most.
Why Prices Depend on the Time Electricity is Used	When demand is lower – during the evenings, on weekends and on holidays - most of the electricity we use comes from sources of power like nuclear generators and large hydroelectric stations, which are designed to run all the time. This is called "baseload" power. As daytime begins, more people and businesses turn on their lights, appliances and devices. As the increased demand exhausts all available baseload power, the province turns to sources that generally cost more, such as natural gas-fired plants that can be called into action quickly to meet rising demand. Renewable generation resources, such as solar and wind, contribute to our supply needs when they are available.
Summer and Winter Time-of-use Periods	TOU periods are different in the summer than they are in the winter. The difference reflects the seasonal variations in how customers use electricity. During the summer, people use more during the hottest part of the day, when air conditioners are running on high. In winter, with less daylight, electricity use peaks twice: once when people wake up in the morning and turn on their lights and appliances, and again when people get home from work.

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Contact Us

You can find all reports and documents related to this decision on our website at oeb.ca or you can call us (toll free) 1-877-632-2727.

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