2017 Market Metrics

For the IESO Board of Directors

October 25, 2017

Independent Electricity System Operator

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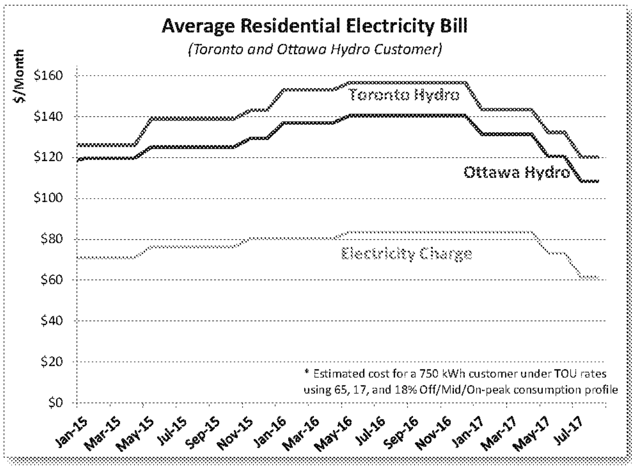
Chart 10: Residential Rates in Ontario



> **Key Takeaway**: The separation between Toronto and Ottawa Hydro residential bills has resulted from higher distribution-level investments required in Toronto, recovered through the Delivery charge on the bill.

What is it? The chart above presents estimated monthly residential electricity bills for Toronto and Ottawa Hydro customers.[12] Toronto and Ottawa represent two of the largest city centres in Ontario and are included in Hydro Quebec's annual publication titled, *"A Comparison of Electricity Prices in Major North American Cities."*

Why do we need to know? Residential rates for electricity include the commodity cost of energy (HOEP and GA) along with delivery and regulatory charges and applicable taxes and subsidies. A recent Fraser Institute report highlighted the pace at which electricity rates have increased in Ontario relative to other large Canadian cities.[13]

What is it telling us: There has been a persistent gap between the average Toronto and Ottawa Hydro residential bills since 2015. There is also a noticeable drop in average bills for both utilities this summer. The Government implemented the *Fair Hydro Plan,* which reflects the reduction from the implementation of a tax rebate on electricity costs and a reduction in established Time-of-Use (TOU) rates.

Market Considerations: Changes in the commodity cost of energy are reflected in the "Energy Charge" on the residential bill through the established TOU rates. The TOU rates are common across all utilities across Ontario. The Delivery charge represents another significant component on the residential electricity bill and varies across utilities. The Delivery charge is sensitive to the local capital investment, infrastructure, and maintenance requirements. There is a gap between Toronto and Ottawa residential electricity bills that increased in size in 2015. Delivery charges in Toronto grew significantly in 2015 as the utility embarked on a series of projects to improve service and reliability as a part of its five year infrastructure plan.

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[12] Average bills were estimated for a 750 kWh residential customer on TOU rates with a 65/17/18% off-/mid-/on-peak profile. Historical distribution rate orders available at: https://www.oeb.ca/industry/applications-oeb/electricity-distribution-rates.
[13] Fraser Institute report titled," Evaluating ElectricityPrice Growth in Ontario available at: https://www.fraserinstitute.org/sites/default/files/evaluating-electicity-price-growth-in-ontario.pdf

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