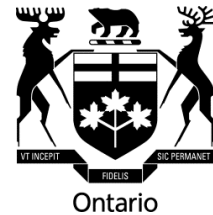


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Backgrounder – May 1 electricity price change

April 20, 2017

About Electricity Prices	The Ontario Energy Board reviews the cost of electricity for households and small businesses every six months, based on a 12-month forecast. It uses those reviews to set new prices on May 1 and November 1. The price changes only affect households and small businesses that buy their electricity from their local utility and are covered by the Regulated Price Plan. Electricity costs make up more than half the total of a typical household bill.
What Is RPP?	The Regulated Price Plan (RPP) is a pricing approach designed to provide more stable and predictable prices for consumers. The Ontario Energy Board sets the price households and small businesses in Ontario pay for electricity in a way that reflects the cost of supplying electricity. Every six months, the OEB forecasts how much it will cost to supply electricity over the next 12 months. It then adjusts the price to match its forecast of costs and demand. It also corrects for any difference between previous forecasts and the actual costs. This provides consumers with a more stable price for the electricity they use rather than the more volatile electricity prices they would face if buying their electricity directly through Ontario's open market.
Bill Impact of New Prices	On May 1, the price of electricity for household and residential customers is decreasing by approximately \$X. XX per month. This works out to be a decrease of XX.X% on the total bill, for a household that uses 750 kWh per month.

Reasons for Changes	The government's Fair Hydro Plan includes a number of initiatives that will result in lower hydro bills for consumers if passed: • The continued rebate of the 8% HST (effective Jan 1, 2017) • The funding of the Ontario Electricity Support Plan and the Rural and Remote Electricity Rate Protection Plan through the tax base rather than the electricity rate base. • Reduced Global Adjustment (GA) as indicated by the government The government has indicated that it will be tabling legislation, which if passed will enable the implementation of this plan. However consistent with its past practice of smoothing significant forecast price changes for customers, the OEB has taken into account a portion of the reductions expected in the Fair Hydro Plan.. The OEB will review the legislation after it becomes law and reassess the impact on RPP and TOU prices, making additional adjustments, as required, likely in Summer, 2017. Without the steps taken to anticipate the Fair Hydro Plan, the price of electricity for household and residential customers would have increased by \$3.10 per month, effective May 1.
Time-of-use Pricing	With time-of-use prices, customers pay different prices that reflect the cost of supplying electricity at different times of the day. There are three time-of-use periods – on-peak, mid-peak and off-peak. Prices are highest during on-peak, lower during mid-peak and lowest during off-peak Time-of-use prices encourage households and small businesses to use electricity during lower-cost time periods. This eases pressure on the provincial electricity system, and benefits the environment. Nearly all customers on the Regulated Price Plan pay time-of-use prices.
Summer & Winter Time-of-Use Hours	TOU periods and TOU prices change every May 1 and November 1 The difference in the TOU periods in the summer and winter reflects the seasonal variations in how consumers use electricity. During the summer, people use more during the hottest part of the day, when air conditioners are on. 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.

	Winter (Nov 1-Apr 30) - Weekdays Summer (May 1-Oct 31) - Weekdays Weekends & Holidays \$ off-peak \$\$ mid-peak \$\$\$ on-peak												
Ratio between on/off peak	The TOU prices for each period are set in relation to each other, so they collectively recover the actual costs of electricity. The off-peak price is a little less than half the cost of the on-peak price. This encourages consumers to conserve power when it costs most.												
Why Prices Depend on the Time Electricity is Used	Time-of-use electricity prices are like many cell phone rates. They are cheapest when demand is lowest during the evenings, on weekends and on holidays. In Ontario, when demand is lower, most of the electricity we use comes from cheaper 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 uses up all of the 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 sources, such as solar and wind, contribute to our supply when they are available.												
Tiered Prices	A small number of residential RPP customers have tiered pricing because they don’t use a smart meter to report their usage. The changes for these customers are: New Tiered Prices for Households <table><tr><th></th><th>Summer Threshold</th><th>New Summer Price</th><th>Change</th></tr><tr><td>1st Level</td><td>Up to 600 kWh/month</td><td>XX.X¢/kWh</td><td>X.X cents</td></tr><tr><td>2nd Level</td><td>Everything over 600 kWh/month</td><td>XX.X¢/kWh</td><td>X.X cents</td></tr></table> * The threshold for small businesses stays at 750 kWh/month all year.		Summer Threshold	New Summer Price	Change	1st Level	Up to 600 kWh/month	XX.X¢/kWh	X.X cents	2nd Level	Everything over 600 kWh/month	XX.X¢/kWh	X.X cents
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Setting Electricity Prices	The Ontario Energy Board produces a 12 month forecast of how much it will cost to supply households and small businesses in the province with electricity for the following year. It takes many factors into account, including: • The amount of electricity those customers are expected to use • The projected price of fuel during that time – e.g. natural gas												

	• The types of electricity that will be available (i.e. how much nuclear, hydroelectric, natural gas, renewable), and at what cost • The accuracy of previous projections The OEB then sets prices for each of the three time-of-use periods. The prices are set to recover expected costs while providing incentives and opportunities to customers to shift their time of electricity use and reduce their bills.
The Typical Residential Customer	The OEB is uses 750 kWh per month as its standard when discussing household consumption. For more information see: Report of the Ontario Energy Board Defining Ontario's Typical Electricity Customer.
For more information	For more information, visit the OEB's new consumer website at oeb.ca.

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