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BACKGROUND

Electricity Prices Dropping Again on July 1

Reason for New Prices	The Ontario Energy Board (OEB) has set new lower Regulated Price Plan (RPP) electricity prices to implement reductions contained in the <i>Fair Hydro Act, 2017</i>. These build on the reduction in RPP prices that came into effect when the OEB set RPP prices effective May 1. The OEB has also set a new credit for customers that are eligible for electricity bill reductions under the <i>Fair Hydro Act, 2017</i> but are not paying RPP prices. This credit – referred to as the “GA modifier” – will reduce the Global Adjustment charges paid by these customers. The new RPP prices and GA modifier will apply to electricity used between July 1, 2017 and April 30, 2018. For more information on how the <i>Fair Hydro Act, 2017</i> affects different parts of an electricity bill, please visit the OEB’s website at [XX].
Bill Impact of New Prices	With the new RPP prices that start to apply on July 1, the total bill will be about \$121 for the “proxy” customer described under the <i>Fair Hydro Act, 2017</i>. This is about \$41 or 25% lower for the proxy customer than it would have been without the reductions called for in the <i>Fair Hydro Act, 2017</i>. 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 modifier provides eligible non-RPP customers with a level of benefit that corresponds with the benefit being provided to the proxy customer through the lower RPP prices announced today.

Who is Affected	When the OEB sets electricity prices, the changes usually affect only residential and small business customers that buy their electricity from their utility and are covered by the RPP. This time, a larger number of customers will be affected. The GA modifier that has been set by the OEB for July 1 will apply 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 <i>Ontario Rebate for Electricity Consumers Act, 2017</i>. These customers are eligible for bill reductions under the <i>Fair Hydro Act, 2017</i>. They will see their bills lowered through the use of the GA modifier that will reduce the amount of the GA on their bills.
What is Included in the 25% Fair Hydro Plan, 2017 Bill Reduction?	The 25% total bill reduction that is being delivered for the proxy customer includes the impact of the following measures: • the planned refinancing of a portion of the costs of the GA, as reflected in the new RPP prices; • the 8% rebate, equivalent to the provincial portion of the HST, that has been in place since January 1, 2017; • the impact of removing most of the cost of the Rural and Remote Rate Protection program from electricity bills, which will now be paid for from provincial revenues; and • the impact of removing the cost of the Ontario Electricity Support Program (OESP) from electricity bills. The OESP will continue to be available to help eligible low-income customers reduce their electricity bills, and will also be paid for from provincial revenues.
What is Meant by a “Proxy” Customer?	The <i>Fair Hydro Act, 2017</i> establishes a framework for lowering electricity bills for all residential customers, as many as half a million small businesses and farms and some others. Because distribution rates vary across the province and customers use different amounts of electricity, the <i>Fair Hydro Act, 2017</i> establishes a proxy customer for the OEB to use when setting RPP electricity prices to give effect to the bill reductions. Under the <i>Fair Hydro Act, 2017</i>, 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 <i>Fair Hydro Act, 2017</i>, RPP prices have been set to deliver the 25% reduction for this proxy customer. These new prices

	apply to all 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 Modifier"?	Customers that are not on the RPP but that are eligible for electricity bill reductions under the <i>Fair Hydro Act, 2017</i> will see their bills lowered 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 modifier set by the OEB provides these customers with a level of benefit that corresponds with the benefit being provided to the proxy customer through the lower RPP prices announced today. It is based on the difference between what RPP prices would have been for the proxy customer without the <i>Fair Hydro Act, 2017</i> reductions and the lower RPP prices set by the OEB effective July 1, 2017. Utilities and the IESO, where applicable, will multiply each eligible customer's consumption by the GA modifier and apply that as a reduction to the GA charges they otherwise would have paid.
Time-of-use Pricing	With TOU prices, customers pay prices that generally reflect the value of electricity supply 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. 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 time-of-use prices.
Ratio Between On/off peak	The off-peak price is a little less than half the on-peak price. This encourages customers to conserve power when it costs most.

Why Prices Depend on the Time Electricity is Used	TOU 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 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 sources, such as solar and wind, contribute to our supply needs when they are available.
For more information	For more information, please visit the OEB’s website at www.oeb.ca

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