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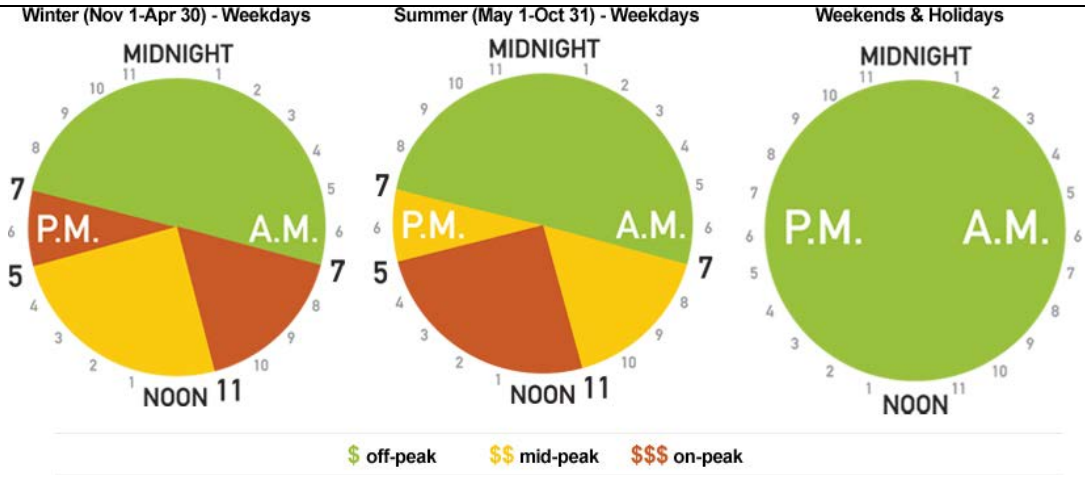
Ontario

Backgrounder – November 1 electricity price change

October 16, 2014

About Electricity Prices	The Ontario Energy Board reviews prices for households and small businesses twice each year, on May 1 and November 1. The price changes only affect households and small businesses who buy their electricity from their local utility. Electricity prices make up about half the total of an average household bill. These electricity prices are shown on one of the five line items on bills – the Electricity line (the others are Delivery, Regulatory Charges, Debt Retirement Charge and Ontario Clean Energy Benefit).
Time-of-use Pricing	With time-of-use prices, consumers pay different prices depending on when they use electricity. There are three time-of-use periods – on-peak, mid-peak and off-peak. Like cell phone plans, prices are lower in the evenings, on weekends and on holidays. 97% of customers on the regulated price plan pay time-of-use prices. Time-of-use prices are designed to reflect the cost of electricity at different times of the day. They encourage households and small businesses to use electricity during lower-cost time periods. This can in turn ease pressure on the provincial power system. It can also benefit the environment.
Summer & Winter Time-of-use Hours	

The time-of-use price periods change each May 1 and November 1 – the same day prices are adjusted.

The difference between the summer and winter periods reflects differences in consumer habits.

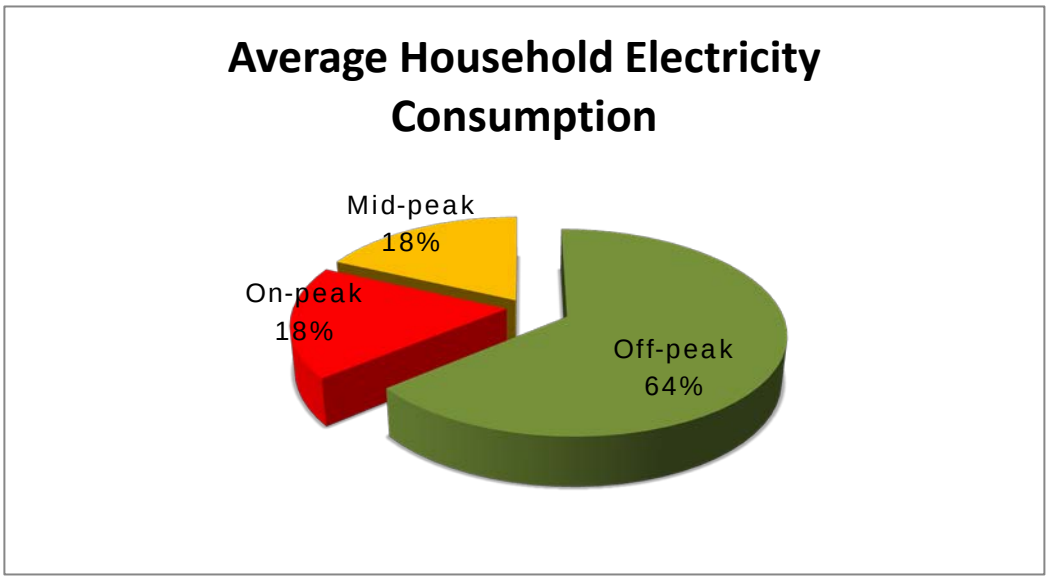
In summer, electricity use peaks during the hottest part of the day, when air conditioners are running on high.

In winter, less daylight means electricity use peaks twice: once in the morning when people wake up and turn on their lights and appliances and again when people get home from work.

When a Typical Household Uses Most of its Electricity

On average households currently use most of their power, almost two-thirds of it, during off-peak hours.

A 2013 report prepared for the OEB shows that households appear to be responding to time-of-use prices by using less electricity during on-peak hours and more during off-peak hours. Along with conservation, this means electricity bills for households are estimated to be $12 lower per year for each customer than they would have been otherwise.



New Winter Time-of-use Electricity Prices

Category	Time(s)	New Winter Price	Change
Off-peak	Weekdays 7pm-7am All day weekends and holidays	7.7 ¢/kWh	(⬆0.2 cents)
Mid-peak	Weekdays 11am-5pm	11.4 ¢/kWh	(⬆0.2 cents)
On-peak	Weekdays 7am-11am And 5pm-7pm	14.0 ¢/kWh	(⬆0.5 cents)

While the on-peak price is increasing more than the off and mid-peak prices, the overall ratio of the off-peak as compared to the on-peak price remains the same as the May 2014 RPP price setting (i.e. 1:1.8).

Bill Impact of New Prices	The price for consumers is increasing by approximately $2.03 per month on the "Electricity" line, and about 1.7% on the total bill, for a household with a typical consumption pattern and using 800 kWh per month. The cost of power for 2014 is broadly in line with the amount estimated in the Long Term Energy Plan.
Reasons for Changes	The Ontario Energy Board sets electricity prices based on updated cost estimates. In total, supply costs have been lower than were initially expected since the last forecast, and revenues have been higher. This has been factored into rates for the next 12 months and is moderating the price increase in this forecast period. In addition, the Board has included in the RPP prices an estimate for the increase in the cost of power from rate-regulated generation assets. OPG has filed an application for the amount it will be paid for the rate-regulated generation assets. While the Board has not made its decision on this application, approximately half of the requested increase has been used in the calculation of the RPP prices. This approach is consistent with one of the objectives of the Regulated Price Plan, which is to smooth changes in prices over time. Regardless of whether the Board approves higher or lower payments to OPG, any difference will be reflected in a variance account, and will be included in electricity prices when they are reset in May 2015.
Why Prices Depend on the Time Electricity is Used	As demand rises, so does the cost of electricity. Ontario's electricity grid is fed by lower cost power when demand is lower. Known as baseload generation, this power largely comes from nuclear and large hydroelectric facilities. When demand is high and all baseload power is used, the province must turn to higher-cost generators. Those power sources generally include some natural gas-fired plants (those intended only for use during times of high demand) and some renewable generators.
Setting Electricity Prices	The Ontario Energy Board calculates how much it will cost to supply households and small businesses in the province with electricity for the following year. Many factors go into this estimate, including: • The amount of power those consumers are expected to use • The projected price of fuel during that time – e.g. natural gas • The types of power 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 based on allocating the estimated supply costs for each period.
Contracts	A small number of electricity consumers – fewer than 1 in 10 – get their power from an electricity retailer rather than their local utility. Those consumers continue to pay the prices stated in their contract. They are, however, subject to a fluctuating rate known as the Global Adjustment. The Global Adjustment appears as a separate charge on their electricity bill. It is designed to cover the difference between electricity market prices and the actual payments many generators receive. It also covers the cost of conservation and demand management programs.

	Global Adjustment costs are incorporated into the electricity prices for consumers who pay the prices set by the OEB under the Regulated Price Plan.
Tiered Prices	A small number of consumers – again, fewer than 1 in 10 – are still on the old pricing system, known as tiered pricing. The changes for these consumers are:

New Tiered Prices for Households

	Winter Threshold	New Winter Price	Change
1st Level	Up to 1000 kWh/month	8.8 ¢/kWh	⬆ 0.2 cents
2nd Level	Everything over 1,000 kWh/month	10.3 ¢/kWh	⬆ 0.2 cents

* The threshold for small businesses stays at 750 kWh/month all year.

For more information	For more information, visit the OEB's consumer website at www.ontarioenergyboard.ca.

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