

June 1, 2020

New electricity pricing for time-of-use (TOU) customers takes effect

What's behind the electricity line on the bill

Effective June 1, 2020, electricity customers on TOU pricing under the Ontario Energy Board's (OEB) Regulated Price Plan (RPP) pay a fixed price of 12.8 ¢/kWh for the electricity they use, no matter the time of day, seven days a week. The Government of Ontario set this new price and announced that it will stay in effect until October 31, 2020. This change does not apply to RPP customers that pay tiered prices, to customers that have a contract with an energy retailer or to customers that have opted out of the RPP in favour of market-based pricing. The new fixed price is a change from traditional TOU pricing, where the price that customers pay for electricity depends on when they use it.

Electricity prices are shown on the Electricity line of the bill and are used to pay for the cost of power that is supplied by generators such as Ontario Power Generation and those whose output is under contract with the Independent Electricity System Operator, as well as for the cost of some conservation programs. Electricity distributors deliver this power to their customers' homes and businesses, but they are not allowed to earn any profit from the sale of electricity. Electricity distributors, like Alectra or Hydro Ottawa, and transmitters, like Hydro One Networks, recover their costs and an appropriate level of return through charges that are approved by the OEB and appear on the Delivery line of their customers' bills. Visit our [Understanding your electricity bill page](#) for a more detailed explanation of the different line items on your bill.

Setting TOU and Tiered Prices

The OEB sets RPP prices for TOU and tiered customers based on a 12-month forecast of how much it will cost to supply RPP consumers with the electricity they are expected to use over the next 12 months. The OEB reviews prices twice a year (in the spring and fall) and resets them as required to recover the forecast cost of supply. Last fall, when the OEB last set RPP prices, the total RPP supply cost for the November 1, 2019 to October 31, 2020 period was forecast to be \$7.7 billion.¹ This translates to a forecast average cost of supply of

¹ [RPP Price Report \(November 1, 2019 to October 31, 2020\)](#)

12.8 ¢/kWh, which is the same value as the new price that the government has fixed for TOU customers effective June 1, 2020.

Since RPP prices are based on a forecast, it is often the case that the prices RPP consumers have paid over a given period of time are different than the actual cost of the power supplied to them over the same period. To account for that, the OEB includes adjustments when it resets prices so that any differences can be made up over time.

The RPP applies to residential and small business customers as well as farms. Larger businesses and industrial customers – those that use 250,000 kWh or more a year – do not pay for electricity under the RPP.

The RPP is designed to provide stable pricing, encourage conservation and ensure that the price consumers pay for electricity better reflects the price paid to generators. Both TOU and tiered prices have been part of the RPP since its introduction 15 years ago.

Today, while nearly all residential customers and many small businesses and farms on the RPP pay TOU prices, a small number of RPP customers pay tiered prices. The customers paying tiered prices have not switched to TOU either because their community does not have the communications infrastructure needed to enable the digital recording of hourly usage, or they live in a condominium or apartment building that does not have smart meters installed.

Under tiered prices, a customer can use a certain amount of electricity each month at a lower price. Once that limit is exceeded, the price goes up. The table below shows the prices and thresholds that have been in effect for tiered customers since November 1, 2019. These prices and thresholds are not changing on June 1, 2020.

Tier Thresholds		Tiered Prices
Tier 1	<p>Residential – first 1,000 kWh/month <i>(In the summer period, the tier threshold would normally go down to 600 kWh. The OEB’s decision² to keep the winter threshold in place for this summer provides customers an additional 400 kWh/month at the lower price.)</i></p> <p>Non-residential – first 750 kWh/month <i>(This threshold stays the same all year round.)</i></p>	11.9¢/kWh
Tier 2	<p>Residential – for electricity used above 1,000 kWh/month</p> <p>Non-residential – for electricity used above 750 kWh/month</p>	13.9¢/kWh

² [OEB to defer setting summer electricity prices for households and small businesses, April 14, 2020](#)



TOU hours and tiered thresholds change with the seasons

Although this summer is an exception, the tier threshold for residential customers and the TOU price periods normally change seasonally in order to reflect historical differences in the way that electricity is used and when demand for electricity is highest and lowest during different seasons.

In winter, less daylight means electricity use peaks twice: once in the morning when people wake up and turn on their lights and appliances, then again when people get home from work. There are therefore two times during the day when demand for electricity is highest in the winter, and there are therefore two TOU on-peak periods (morning and evening) and one TOU mid-peak period (afternoon) in the winter.

In summer, the opposite is true. Electricity usage tends to peak during the afternoon on the hottest summer days, when air conditioners are running on high. There is therefore only one TOU on-peak period (afternoon) and two TOU mid-peak periods (morning and evening) in the summer.

At the time that the RPP was developed, data showed us that customers who heat their homes electrically tended to have much higher electricity bills in winter. Therefore, the winter threshold for residential customers that pay tiered prices was set at 1,000 kWh/month to reflect the fact that winter home heating is a necessity in Ontario's climate; a higher threshold helps customers manage their costs. The summer tier threshold for residential customers is normally lower in the summer than in the winter by 400 kWh/month.

For more information about TOU and tiered prices, visit our [Electricity rates page](#).

Contact Us

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