

September 21, 2017

Ontario natural gas prices are changing

Natural gas customers across Ontario will see changes on their bills beginning on October 1, 2017.

The price of the natural gas commodity is going down. The impact of this rate change for individual customers will vary depending on how much natural gas they use each month and the utility that serves them. For a residential customer using the typical* amount of natural gas each year, this translates to an average change as follows:

- - \$4.26 for Enbridge Gas Distribution customers
- - \$2.37 for Natural Resource Gas (NRG) customers
- - \$4.27 for Union Gas Southern customers
- - \$5.54 for Union Gas North East customers
- - \$1.75 for Union Gas Northwest customers

*Annual usage for a typical residential customer is 2,400 m³ for Enbridge, 2,009 m³ for NRG and 2,200 m³ for Union.

The changes reflect the routine quarterly adjustment for the market price of the natural gas commodity – known as the Quarterly Rate Adjustment Mechanism (QRAM). They will take effect on October 1, 2017 for customers of Ontario's three rate-regulated natural gas utilities – Enbridge Gas Distribution, Union Gas and NRG.

In addition to these quarterly gas supply rate adjustments, Enbridge and Union are also implementing previously approved temporary rate adjustments for some customers in the coming months. The specific bill impacts will vary by utility.

The QRAM

Natural gas is a commodity that is traded on North American markets. Market prices rise and fall based on current supply and demand. Major weather events can also affect the market price.

Every 3 months, natural gas utilities ask the OEB to adjust their commodity rates to cover:

- **Future costs.** Utilities estimate how much gas they expect their customers to use, based on previous years. Then they estimate the market price for natural gas over the next 12-month period.
- **Past costs.** Utilities also review the difference between what they previously forecast their customers would pay and what their customers actually paid. This “true up” may be called the *Gas Price Adjustment* or *Cost Adjustment* on the bill. It can increase or lower the rate accordingly. For example, if a utility collected more from customers than it paid for gas in the past, the difference is credited back to customers through a lower rate. Likewise, if not enough was collected by the utility, the rate will be higher.

Because forecasting is done so far in advance of when utilities actually purchase natural gas, it is never exact. The OEB adjusts commodity rates periodically throughout the year so there’s less likelihood that customers or the utility will owe a large amount at a given time.

The OEB does not allow utilities in Ontario to earn a profit on the sale of gas. They must pass through the price they pay to buy natural gas on the open market to their customers, with no markup.

On a percentage basis, the bill impact of the QRAM adjustments for typical residential customers of each utility and the main reasons for each are as follows:

- -5.4% for Enbridge customers, reflecting a decrease in commodity costs, partially offset by an increase in the adjustment costs for differences in past periods
- -3.0% for NRG customers, reflecting a decrease in gas supply charges
- -5.9% for Union Gas South customers, reflecting a decrease in commodity charges and lower reference price forecasts
- -5.9% for Union Gas North Eastern customers, reflecting a decrease in commodity costs, lower reference price forecasts and decreases in gas transportation and storage charges.
- -2.1% for Union Gas Northwest customers, reflecting a decrease in commodity costs, lower reference price forecasts and decreases in gas transportation and storage charges.

OEB DECISION ON UTILITY CAP AND TRADE PLANS

The OEB issued its Regulatory Framework for the Assessment of Costs of Natural Gas Utilities’ Cap and Trade Activities in September, 2016. This Framework was developed to facilitate the recovery of costs incurred by Enbridge, Union and NRG in meeting their legislated obligations under Ontario’s Cap and Trade program. Interim rates to cover utility Cap and Trade costs were introduced on January 1, 2017. They are included in the delivery line of the bill.

The OEB has now released its Decision and Order on the utilities’ cap and trade program compliance plans.

- Overall, the Decision and Order confirms that the Cap and Trade compliance plans filed by the utilities are, with certain modifications, appropriate and fair for customers. The OEB will continue to review utilities’ plans for cap and trade compliance on an annual basis to hold utilities accountable for the cost effectiveness and efficiency of their operations.
- The Decision and Order requires the utilities to recalculate their rates to reflect the OEB’s Decision and Order and to file these with the OEB for approval of their final rates.
- Cap and Trade rates remain for now at the interim levels effective on January 1, 2017
- To view the amount of cap and trade fees on individual bills, customers can visit the website of their utility which provides an online tool to calculate this amount.



LINKS

www.OEB.ca

[Cap and Trade Framework Decision & Order](#)

[Natural Gas Rates for Ontario Utilities](#)

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