ONTARIO ENERGY BOARD | COMMISSION DE L'ÉNERGIE DE L'ONTARIO

BACKGROUNDER

**April 17, 2019**

## Electricity prices virtually unchanged as of May 1

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| **Basis for the New Prices** | The Ontario Energy Board (OEB) has set new Regulated Price Plan (RPP) electricity prices on the basis of the rate of inflation as required by the *Ontario Fair Hydro Plan Act, 2017* (OFHP Act).<br><br>The OEB has also reset the credit for customers that are eligible under the OFHP Act but are not paying RPP prices. This credit reduces the Global Adjustment (GA) charges paid by these customers.<br><br>The new RPP prices and GA credit apply from May 1, 2019 to October 31, 2019, as required by the OFHP Act.<br><br>On March 21, 2019, the Ontario government introduced Bill 87 which, if passed, will wind down the previous government's Fair Hydro Plan. Among other things, Bill 87 proposes to repeal the provisions of the OFHP Act under which the OEB has been setting RPP prices since July 2017.<br><br>Utilities are no longer required to indicate the amount of the OFHP credit on customer bills. |
| **How RPP Prices are Calculated** | As set out under the OFHP Act, the OEB set the new RPP prices so that the bill for the "proxy customer" on May 1, 2019 is higher than the proxy customer's May 1, 2018 bill by an amount equal to the rate of inflation. |
| **Bill Impact of New Prices** | With the new RPP prices that apply on May 1, 2019, the total bill will be $114.80 for the "proxy customer," which is $1.63 or 1.44% higher than the proxy customer's May 1, 2018 bill.<br><br>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. |

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| **What is Meant by a "Proxy" Customer?** | The proxy customer is described in a regulation under the OFHP Act as a residential consumer who, among other things:<br><br>• is paying RPP time-of-use (TOU) electricity prices and has the TOU consumption profile of a typical residential customer with a usage profile of 65% used in off-peak, 17% in mid-peak and 18% in on-peak;<br>• uses 700 kWh of electricity per month; and<br>• has delivery and regulatory charges that are based on a provincewide consumer weighted average.<br><br>This represents a change from last year, when the proxy customer was described as a residential customer of Toronto Hydro who uses 750 kWh of electricity per month. |
| **How is Inflation Calculated?** | As set out in a regulation under the OFHP Act, the rate of inflation is calculated as the percentage change between the value of the Ontario Consumer Price Index for the month of February 2018 and the value of the Ontario Consumer Price Index for the month of February 2019.<br><br>This represents a change from last year, when the rate of inflation was calculated differently. Please see the Regulated Price Plan Prices and the Global Adjustment Modifier for the Period May 1, 2019 to October 31, 2019 for more information. |
| **Who is Affected?** | Historically, when the OEB set electricity prices, the changes usually affected only residential and small business customers that buy their electricity from their utility and are covered by the RPP.<br><br>Under the OFHP Act, a larger number of customers are affected. The GA credit that has been reset by the OEB for May 1, 2019 applies to:<br><br>• customers that are eligible for the RPP but have chosen a contract with an energy retailer or market-based pricing; and<br>• 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 *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA).<br><br>Because these customers are not paying RPP prices, a different mechanism is required to provide them with bill relief. This relief is provided through the GA credit which reduces the amount of the GA charge on these eligible customers' bills. For more information, please see the explanation below on the GA credit. |

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| **What is the GA Credit?** | Customers that are not on the RPP but that are eligible under the OFHP Act see their bills affected through a reduction in their GA charges in each billing period. These customers are those that are eligible for the RPP but have chosen a contract with an energy retailer or market-based pricing, as well as customers that are not eligible for the RPP but are eligible for the 8% ORECA rebate.<br><br>The GA credit is designed to provide these customers with a level of benefit that corresponds with the benefit being provided to the proxy customer through the RPP prices announced today. It is based on the difference between what RPP prices would have been on May 1, 2019 without the OFHP Act and the new RPP prices that have been set by the OEB effective May 1, 2019.<br><br>Utilities and the IESO, where applicable, will apply the GA credit to each eligible customer's consumption to reduce the GA charges they otherwise would have paid.<br><br>The GA credit effective May 1, 2019 is $41.49/MWh. |
| **What is the GA?** | Most electricity generating companies get a guaranteed price for the electricity that they produce. The GA is the difference between that guaranteed price and the money the generators earn in the wholesale marketplace. The GA also covers the costs of conservation programs.<br><br>For residential and small business customers that buy their electricity from their utility and pay RPP prices, their share of the GA is included in their RPP prices. Other customers, like those that have a contract with an energy retailer, pay their share of the GA on top of their electricity price. The GA appears as a separate line item on their bills. |
| **Are Some Consumers Seeing their Bills Go Up by More than the Rate of Inflation?** | As set out under the OFHP Act, the OEB must set RPP prices so that the proxy customer's bill on May 1, 2019 increases by the rate of inflation relative to the proxy customer's bill on May 1, 2018. The methodology set out in the OFHP Act results in a rate of inflation calculation of 1.49%. The OEB has set RPP prices to achieve a total bill increase for the proxy customer as close as feasible to this calculated rate of inflation.<br><br>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. |

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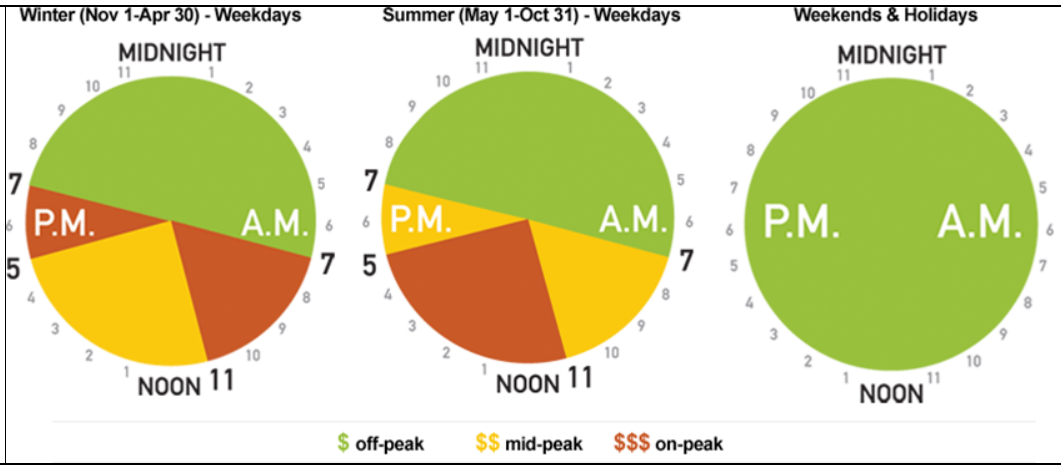
| **Time-of-Use (TOU) Pricing** | With TOU prices, customers pay prices that generally reflect the relative value of electricity supply at different times of the day.<br><br>There are three TOU periods – on-peak, mid-peak and off-peak. Prices are highest during on-peak, lower during mid-peak and lowest during off-peak.<br><br>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.<br><br>Nearly all residential customers and many small business customers on the RPP pay TOU prices. |
| **Ratio Between On/Off Peak** | The on-peak price is more than double the off–peak price. This encourages customers to shift their consumption and conserve power when it costs most. |
| **Why Prices Depend on the Time Electricity is Used** | When demand is lower – during the evenings, on weekends and on holidays – 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.<br><br>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 generation resources, such as solar and wind, contribute to our supply needs when they are available. |
| **Summer and Winter TOU Periods** | TOU periods are different in the summer (May 1 to October 31) than they are in the winter (November 1 to April 30).<br><br>The difference reflects the seasonal variations in how customers use electricity. During the summer, people use more during the hottest part of the day, when air conditioners are running on high. 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. |

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