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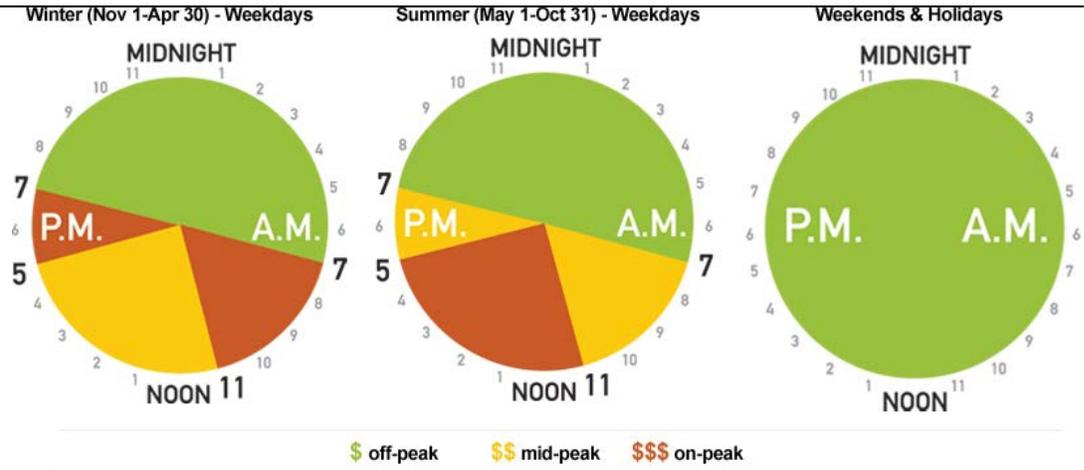


Backgrounder – November 1st electricity price change

October 15, 2015

<p>About Electricity Prices</p>	<p>The Ontario Energy Board reviews prices for households and small businesses twice each year, on May 1 and November 1.</p> <p>The price changes affect households and small businesses who buy their electricity from their local utility and not those who buy from an electricity retailer.</p> <p>Electricity prices make up about 60% of the total bill of households using 800 kWh/month. These electricity prices are shown on the Electricity line. They do not affect the cost of transmission or distribution reflected in the Delivery line, nor do they alter Regulatory Charges or the Debt Retirement Charge.</p>																
<p>Time-of-use Pricing</p>	<p>With time-of-use, customers pay different prices depending on when they use electricity.</p> <p>There are three time-of-use periods – on-peak, mid-peak and off-peak. Prices are lower in the evenings, on weekends and on holidays.</p> <p>TOU pricing encourages households and small businesses to use electricity during lower-cost time periods. This can in turn ease pressure on the provincial power system.</p> <p>Almost 4.6 million customers, or 96%, of Ontario households pay time-of-use prices.</p> <p>TOU prices are set to recover the expected costs of electricity.</p>																
<p>Winter Time-of-use Electricity Prices</p>	<table border="1"> <thead> <tr> <th>Category</th> <th>Time(s)</th> <th>New Winter Price</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td>Off-peak</td> <td>Weekdays 7p.m.-7a.m. All day weekends and holidays</td> <td>8.3 ¢/kWh</td> <td>up 0.3 cents</td> </tr> <tr> <td>Mid-peak</td> <td>Weekdays 11a.m.-5p.m.</td> <td>12.8 ¢/kWh</td> <td>up 0.6 cents</td> </tr> <tr> <td>On-peak</td> <td>Weekdays 7a.m.-11a.m. and 5p.m.-7p.m.</td> <td>17.5 ¢/kWh</td> <td>up 1.4 cents</td> </tr> </tbody> </table>	Category	Time(s)	New Winter Price	Change	Off-peak	Weekdays 7p.m.-7a.m. All day weekends and holidays	8.3 ¢/kWh	up 0.3 cents	Mid-peak	Weekdays 11a.m.-5p.m.	12.8 ¢/kWh	up 0.6 cents	On-peak	Weekdays 7a.m.-11a.m. and 5p.m.-7p.m.	17.5 ¢/kWh	up 1.4 cents
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Summer & Winter Time-of-Use Hours



The TOU 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 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.

Tiered Prices

A small number of customers –fewer than 1 in 10 – are still on the old pricing system, known as tiered pricing. The changes for these customers are:

New Tiered Prices for Households

	Winter Threshold	New Winter Price	Change
1st Level	Up to 1,000 kWh/month	9.9 ¢/kWh	up 0.5 cents
2nd Level	More than 1,000 kWh/month	11.6 ¢/kWh	up 0.6 cents

Note: The threshold for small businesses stays at 750 kWh/month all year. In the winter, the threshold for residential customers increases from 600 kWh to 1,000 kWh.

Bill Impact of New Prices

The price for TOU customers is increasing by approximately \$4.42 per month on the “Electricity” line, and about 3.4% on the total bill, for a household with a typical consumption pattern using 800 kWh per month. The cost of power for 2016 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 a forecast of the cost electricity prepared by Navigant Consulting Ltd. Among other things, Navigant uses information about the past cost of electricity and a forecast of the expected demand in Ontario, both provided by the IESO, to prepare its forecast. The details of these calculations are explained in the OEB’s RPP Price Report: November 1, 2015 to October 31, 2016.

Increased costs from Ontario Power Generation’s (OPG) nuclear and hydro-electric power plants make up about 40% of this increase. Costs from renewable generation sources are another driver, representing about one-third of the

	<p>increase.</p> <p>A significant element of those changes is the result of a 2014 application by OPG seeking to recover past costs.</p>
<p>When a Typical Household Uses Most of its Electricity</p>	<p>Typically, households on TOU currently use most of their power, almost two-thirds of it, during off-peak hours when prices are half the cost of on-peak.</p> <p style="text-align: center;">Typical Household Electricity Consumption on TOU Pricing</p> <div style="text-align: center;">  <p>Time-of-use encourages you to use power when rates are cheapest – during off-peak hours. Try conserving power and shifting some usage to weekends and weekday off-peak times.</p> </div>
<p>Ratios between on/mid/off peak</p>	<p>The difference between on- and off-peak prices is expanding from a ratio of 2:1 to 2.1:1. The difference in the prices is now more than 9 cents. This change is intended to encourage customers to shift their use to off-peak periods.</p> <p>The change in ratios effective November 1st will affect customers differently, depending on how they use electricity. For example:</p> <ul style="list-style-type: none"> ○ A customer using 800 kWh per month whose consumption pattern is typical for those on TOU would experience no overall bill impact due to the ratio change. Their bills will rise by 3.4% because the cost of power has increased. ○ Customers who use more electricity than the typical TOU household in the on-peak hours, and do not shift any of their usage to the off-peak period, will experience a higher bill impact. ○ Customers who already use more than a typical portion of their power in off-peak hours will see a benefit from this change. ○ The overall effect is that customers who shift on-peak consumption into off-peak periods will see a greater reward for doing so.
<p>Why Prices Depend on the Time Electricity is Used</p>	<p>As demand rises, so does the cost of electricity.</p> <p>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 and some renewable generators.</p>

Setting Electricity Prices	<p>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:</p> <ul style="list-style-type: none"> • The amount of power customers 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 <p>The OEB then sets prices for each of the three time-of-use periods in order to recover expected costs while providing incentives and opportunities for customers to manage their bills by shifting their time of electricity use.</p>
Retail Contracts	<p>A small number of electricity customers – fewer than 1 in 10 – get their power from an electricity retailer rather than their local utility.</p> <p>Those customers continue to pay the prices stated in their contract.</p> <p>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 generators receive. It also covers the cost of conservation and demand management programs.</p> <p>All customers pay the Global Adjustment but it is incorporated into the electricity line item on the bill for customers who pay the prices set by the OEB under the Regulated Price Plan.</p>
For more information	<p>For more information, visit the OEB's consumer website at www.ontarioenergyboard.ca.</p>

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