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Backgrounder

October 17, 2013

<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 consumers who don't have a contract with a company that sells electricity under contract.</p> <p>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).</p>																			
<p>New 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 rowspan="2">Off-peak</td> <td>Weekdays 7pm-7am</td> <td>7.2 ¢/kWh</td> <td>(↑0.5 cents)</td> </tr> <tr> <td>All day weekends and holidays</td> <td></td> <td></td> </tr> <tr> <td>Mid-peak</td> <td>Weekdays 11am-5pm</td> <td>10.9 ¢/kWh</td> <td>(↑0.5 cents)</td> </tr> <tr> <td>On-peak</td> <td>Weekdays 7-11am and 5-7pm</td> <td>12.9 ¢/kWh</td> <td>(↑0.5 cents)</td> </tr> </tbody> </table>	Category	Time(s)	New Winter Price	Change	Off-peak	Weekdays 7pm-7am	7.2 ¢/kWh	(↑0.5 cents)	All day weekends and holidays			Mid-peak	Weekdays 11am-5pm	10.9 ¢/kWh	(↑0.5 cents)	On-peak	Weekdays 7-11am and 5-7pm	12.9 ¢/kWh	(↑0.5 cents)
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<p>Bill Impact</p>	<p>The price change for consumers is an increase of approximately \$4.00 on the “Electricity” line, or about 3% on the total monthly bill, for a household with a typical consumption pattern that uses 800 kWh per month. Residential consumers typically use about 64% of their electricity during off-peak hours, and about 18% in each of the mid-peak and on-peak periods.</p>																			
<p>Reasons for Changes</p>	<p>The Ontario Energy Board sets electricity prices based on updated cost estimates. Estimates for the coming year include more generation from sources including renewables along with higher costs related to the market price of natural gas.</p> <p>Another significant factor in this price change involves the variation between previous estimates and actual costs. Actual costs may turn out to be higher or lower than originally estimated. Because of this, prices also account for the difference between the previous forecast of electricity costs and the actual cost. In this case, an earlier overestimation of costs had led to funds being returned to customers during the summer period. That return has largely been eliminated for winter prices. The impact of the change contributes to the increased regulated price.</p>																			

<p>Time-of-use Pricing</p>	<p>With time-of-use prices, consumers pay different prices depending on when they use electricity. This is made possible by smart meters, which measure the exact time each unit of electricity is used.</p> <p>There are three time-of-use periods – on-peak, mid-peak and off-peak. Like cell phone plans, prices are lowest in the evenings, on weekends and on holidays..</p> <p>Almost 4.5 million or 93.2% of household and small business Ontario electricity consumers pay time-of-use prices.</p>
<p>Why Prices Vary</p>	<p>Ontario's electricity grid is fed by inexpensive power during times 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 renewable generators.</p> <p>As demand rises, so does the cost of electricity.</p>
<p>Objectives</p>	<p>Time-of-use prices are designed to better reflect the cost of power at different times of the day.</p> <p>They encourage consumers to use electricity during lower-cost time periods that in turn can ease pressure on the provincial power system. It can also benefit the environment.</p>
<p>Winter & Summer Time-of-Use Hours</p>	<p>The time-of-use price periods change each May 1 and November 1 – the same day prices are adjusted.</p> <p>The difference between the summer and winter periods reflects differences in consumer habits.</p> <p>In summer, electricity use peaks during the hottest part of the day, when air conditioners are running on high.</p> <p>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.</p> <div data-bbox="418 1371 1474 1837"> <p>Winter (Nov 1-Apr 30) - Weekdays</p> <p>Summer (May 1-Oct 31) - Weekdays</p> <p>Weekends & Holidays</p> <p>\$ off-peak \$\$ mid-peak \$\$\$ on-peak</p> </div>

<p>Actual Household Time-of-Use Consumption</p>	<p>Data is still being collected to assess how consumer behaviour has changed since time-of-use prices were implemented. However, we know on average households currently use most of their power – nearly two-thirds of it – during off-peak hours.</p>								
	<div style="text-align: center;"> <h3>Average Household Electricity Consumption</h3> <table border="1"> <caption>Average Household Electricity Consumption Data</caption> <thead> <tr> <th>Time-of-Use Period</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Off-peak</td> <td>64%</td> </tr> <tr> <td>On-peak</td> <td>18%</td> </tr> <tr> <td>Mid-peak</td> <td>18%</td> </tr> </tbody> </table> </div>	Time-of-Use Period	Percentage	Off-peak	64%	On-peak	18%	Mid-peak	18%
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<p>Setting Electricity Prices</p>	<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 those consumers are expected to use • The projected price of different types of fuel during that time • 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 based on an allocation of the estimated supply costs for each period.</p>								
<p>Contracts</p>	<p>A small number of electricity consumers – fewer than 1 in 10 – get their power from an electricity retailer rather than their local utility.</p> <p>Those consumers are not affected by the OEB price changes.</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 many generators receive. It also covers the cost of conservation and demand management programs.</p> <p>For all consumers who pay the prices set by the OEB, the Global Adjustment costs are already incorporated into their electricity prices.</p>								
<p>Tiered Prices</p>	<p>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:</p>								

New Tiered Prices for Households

	Winter Threshold	New Winter Price	Change
1 st Level	Up to 1,000 kWh/month	8.3 ¢/kWh	↑ 0.5 cents
2 nd Level	Everything over 1,000 kWh/month	9.7 ¢/kWh	↑ 0.6 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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