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Backgrounder

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Why we developed the Regulated Price Plan

At the request of the Minister of Energy, the Ontario Energy Board developed an electricity price plan that provides stable and predictable electricity pricing, encourages conservation and ensures the price consumers pay for electricity better reflects the price paid to generators.

Actual market prices for electricity are volatile, fluctuating up and down by hour, day and season. To provide more stable and predictable pricing, and to reduce the exposure for you and other consumers from such frequent fluctuations, the OEB created the Regulated Price Plan and set the stable prices that your utility charges you for the electricity that you use.

The current price is 5.0 cents per kWh for the first 750 kWh used in any month (increasing to the first 1,000 kWh per month starting in November 2005 for residential consumers) and 5.8 cents per kWh for consumption above that level.

These prices took effect April 1, 2005 and will remain the same until the spring of 2006. Starting then, and every six months after that, the OEB will adjust them as required. This is necessary because, over the longer term, the stable prices consumers pay for electricity may not be the same as the prices paid to generators for the power consumers use. Any difference will be blended into prices set by the OEB for the next period.

How did we calculate the current prices for the Regulated Price Plan?

The prices have been determined by the Ontario Energy Board based on a blend of fluctuating, fixed and capped prices paid to generators including the following components over the current 12 months of the plan:

- The Board's forecast of the price of electricity in the wholesale spot market which changes every hour. The forecast takes into account several factors, including hourly changes in demand, expected load (or demand) growth, transmission limitations, planned generator outages and generator fuel prices (such as natural gas and coal).
- Fixed prices set by the Government at an average of 4.5 cents per kWh for Ontario Power Generation's (OPG) regulated nuclear and large hydroelectric generation facilities.
- Fixed prices that are paid to private generators under existing long-term power supply contracts.

- Capped prices based on the estimated value of the difference that is expected to result from the Government's decision to impose a 13-month revenue limit of 4.7 cents per kWh on most of the electricity produced by OPG's unregulated assets. Since the revenue limit only applies until April 30, 2006, this component will not apply in the future.

Fixed prices that will be paid under any future contracts for electricity generation supply from renewable and other resources, and for demand management, will also be included in future prices.

It is important to remember that the plan is limited to prices for the electricity commodity itself. This is shown on the "Electricity" line on your bill, and is only one of a number of factors that contribute to the total price that you pay for electricity that is delivered to you.

When will consumers see new prices?

The Board will forecast new prices for the spring of 2006. The new prices are expected to be effective as of May 1st. After that, prices will be adjusted more frequently – up or down every six months as needed – to be more responsive to market prices and reduce the potential for large variance account balances.

The Board begins forecasting prices as close as possible to when new prices will go into effect in order to be as accurate as possible. The timing of each new price forecast will also take into account the need for consumers to know about a price change in advance so they can budget accordingly.

The difference between the stable price you pay and the price paid to generators will be rolled into future Regulated Price Plan prices, so that it is smoothed out over a longer period of time. As a result, there are no lump sum adjustments that appear on your bill. However, if you leave the Regulated Price Plan, you will settle this difference with your local utility. This is necessary so that consumers that remain on the price plan don't end up paying for electricity used by other consumers that left the plan.

For more information on the Board, please visit our web site at www.oeb.gov.on.ca or contact the Consumer Relations Centre at 416-314-2455 or toll-free at 1-877-632-2727.

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