

RÉPONSE DU GRAME À LA DEMANDE DE RENSEIGNEMENTS no1
D'HYDRO-QUÉBEC AU GRAME

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Highlights of the April 1st, 2005 Electricity Price Plan

Ontario Agri Business Association

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(GRAME)

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OABA Member Update

Electricity in Ontario: “Turn Out the Lights Because The Party is Over!”

Under the *Ontario Energy Board Amendment Act* which passed in December 2003, the government had established an interim two-tiered pricing structure of 4.7¢/kWh and 5.5¢/ kWh that applied to low volume and designated electricity consumers which became effective April 1, 2004. A new pricing plan became effective April 1, 2005.

Highlights of the April 1st, 2005 Electricity Price Plan

Since April 2004, consumers have been paying two different prices for electricity depending on how much they use. Consumers pay a lower price for the first 750 kilowatt hours (kWh) of electricity they use each month and a higher price for any electricity they use in a month over the 750 kWh threshold. The average residential consumer in Ontario uses less than 1,000 kWh per month.

Effective **April 1, 2005**, eligible consumers are now paying 5.0 cents per kWh for the first 750 kWh of electricity they use per month, and 5.8 cents per kWh for electricity used in a month above this threshold. These prices are intended to remain in place for a period of one year. Starting **November 1, 2005**, that price threshold – the amount of electricity that is charged at the lower price – will change twice a year for residential consumers. The price threshold will be 1,000 kWh per month during a winter season (November 1st to April 30th) and 600 kWh per month during a summer season (May 1st to October 31st). This means consumers will be able to use more electricity at a lower price in the winter when many people need more electricity for light, indoor activities and heating. For non-residential consumers who are eligible for the new price plan, the price threshold will remain at 750 kWh per month for the entire year.

How Prices are Set

The new prices were calculated by the OEB based on the following components:

- the Board's forecast of electricity prices in the spot market over the next 12 months
- the regulated prices for Ontario Power Generation's nuclear and baseload hydro facilities announced by the Ontario Government on February 23, 2005.
- existing contract prices for supply from non-utility generators.

The Ontario Power Authority (OPA) will track in a variance account the difference between the amount consumers have paid for electricity and the amount that has been paid to generators. Consumers who leave the price plan will be required to settle their share of the balance of that account.

The government recently announced that certain generation facilities owned by Ontario Power Generation will be subject to a revenue limit for 13 months. The difference between the revenue limit and the actual market price has been forecasted by the Board and that difference has been rolled into prices for this year.

The prices established by the Board are intended to stay the same for one year. At the end of that year, and every six months after that, the prices consumers pay for electricity may change based on an updated Board forecast and any difference in the OPA variance account.

The price plan also allows for unscheduled price adjustments to deal with the effect that unanticipated circumstances could have on prices. If the variance between the amount collected from consumers and the amount paid to generators exceeds the predicted variance by more than \$160 million, an automatic price adjustment will be triggered. These unanticipated circumstances can range from a prolonged outage at a major generator to a very mild winter, and can cause an unexpected increase or decrease in the variance account. These unscheduled price adjustments are primarily intended to protect consumers from more substantial price changes at the regularly scheduled times.

Leaving the Price Plan

Consumers who do not wish to participate in the price plan can sign a contract with an electricity retailer. Consumers with interval meters can also choose to pay for electricity based on the spot market price (like large electricity consumers over 250,000 kWh).

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OABA Update on Ontario's Electricity Marketplace

The difference between the amount consumers have paid for electricity and the amount that has been paid to generators will be tracked in an account. Consumers who move out of Ontario or leave the price plan for a retailer or spot market pricing will need to settle their share of the balance of that account. They will be reimbursed if consumers have been paying more for electricity than was paid to generators, or will need to pay their utility if consumers have been paying less than was paid to generators.

Rates for Consumers With "Smart" Meters

The price plan also introduces "time-of-use" pricing for those consumers with smart meters. The plan outlines the specific hours for time-of-use pricing periods and sets the prices that apply to those periods. The price plan for smart meters is designed to recover the same average costs of supply as the price plan for conventional meters. The way in which it does that, however, is different. Most Ontario consumers did not have smart meters when the price plan takes effect on April 1, 2005. As of the spring of 2006, all consumers with smart meters will be charged smart meter pricing. It is estimated the cost of moving to 'smart meters' in Ontario will amount to approximately \$1.2 billion.

Utilities will not be obligated to provide time-of-use pricing to consumers with smart meters until April 1, 2006, but may introduce it sooner if they choose. The time-of-use price structure has different price levels depending on the period during the day when electricity is used:

On-peak: (when demand for electricity is highest)
Mid-peak: (when demand for electricity is moderate)
Off-peak: (when demand for electricity is lowest)

The specific hours for the time of use periods for consumers with smart meters are:

<u>Day of the Week</u>	<u>Time</u>	<u>Time-of-Use Period</u>	<u>Time-of-Use Price</u>
Weekends & holidays	All day	Off-peak	2.9 cents/kWh
Summer Weekdays (May 1st – Oct 31st)	07:00 to 11:00	Mid-Peak	6.4 cents/kWh
	11:00 to 17:00	On-Peak	9.3 cents/kWh
	17:00 to 22:00	Mid-Peak	6.4 cents/kWh
	22:00 to 07:00	Off-Peak	2.9 cents/kWh
Winter Weekdays (Nov 1st – Apr 30th)	07:00 to 11:00	On-peak	9.3 cents/kWh
	11:00 to 17:00	Mid-peak	6.4 cents/kWh
	17:00 to 20:00	On-peak	9.3 cents/kWh
	20:00 to 22:00	Mid-peak	6.4 cents/kWh
	22:00 to 07:00	Off-peak	2.9 cents/kWh

What Does Ontario's Latest Electricity Pricing Plan Mean?

- 1) Effective April 1, 2005, base hydro rates (those assessed to residential customers and designated customers) are increasing a minimum of 5%.
- 2) The latest pricing plan is designed to artificially maintain lower 'fixed' prices for electricity cost for a one year period, while at the same time allowing for 'clawback' for any pricing discrepancies between what is paid for electricity, and what is charged for electricity.
- 3) Large electricity consumers (over 250,000 kWh) are currently being charged at spot market rates. It is expected these rates may increase dramatically later this year into next for all consumers when the smart meters or time-of-use meters are more widely installed. Although all smart meters are to be billed at the prescribed rate by April 1, 2006, there is nothing to stop the local utility from commencing the prescribed charges upon installation. Different customers served by different utilities competing in the same marketplace may be paying considerably different prices for electricity at any given point in time over the next 12 months.
- 4) It is suggested that the variance account may fill to capacity in the near term. Actual prices for electricity are currently well above the 6 cent/kWh.
- 5) In approximately 12 months, the first of on-going semi-annual price changes will take place.
- 6) In 2005, many smart meters will be installed, with 2006 seeing even more. Once installed, small customers will see their prices rise to the established price schedule – effectively managing time of electricity consumption will become essential to controlling electricity costs.
- 7) As Ontario's electricity price rises, so will contract prices for fixed rate, open supply. There has been some suggestion that current electricity pricing is as good as it is likely to get, and is well below the prices that will be charged through smart meters.

Managing your electricity consumption (how much and when) is becoming increasingly important to your agri business. In this regard, the Ontario Agri Business Association is continuing to promote its "**Energy Use Analysis and Benchmarking Software**" to the membership. Details are attached; visit the OABA website at www.oaba.on.ca; or give the Association office a call at (519) 822-3004 for details. This internet-based software was launched in 2004 and is full of features that will assist you in managing your energy requirements more effectively.

April 6, 2005
Guelph, Ontario



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REGISTER TODAY FOR OABA'S ENERGY ANALYSIS & BENCHMARKING SOFTWARE



- **Software Access Fees: \$240 for the first site (and \$120 for each additional site) for software access through to September 30, 2005!**

WHY USE OABA'S ENERGY BENCHMARKING SOFTWARE?

You must have internet access to access and utilize the software. OABA Benchmarking software allows you to enter all of your sites' energy and production data. Once entered (it will only take a few minutes once you have your energy and production data at hand) the software then provides you with many different methods to compare and evaluate your energy usage:

- **A calculation showing how your sites' average annual energy used per unit of production compares to other similar facilities. You will see if you are at the high or low end of energy costs. (You will know your site but will not know who you are compared with)**
- **A variety of graphs can be viewed and printed if you wish, showing monthly energy usage per unit production as well as costs.**
- **A section allows you to evaluate your current energy costs based on what you are paying for electricity, natural gas, or even propane. You can then enter contract prices that may be offered to you. This will allow you to determine if the contract prices will be acceptable or not.**

IT'S EASY TO SIGN UP

- **You can sign up and begin using the software immediately. All you have to do contact is register with OABA and pay the access fees. Simply complete the registration form as attached and return it to OABA with your payment.**
- **You can take a training offered in conjunction with a number of OABA seminars and special events. Note: Some of these will allow you to work on-line, while others will be a presentation form only.**
- **You will be provided with a password that will enable you to log onto the website and start right away!!**

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ENERGY ANALYSIS & BENCHMARKING SOFTWARE - Registration Form



YES – Sign us up for OABA’s Member Offer at a rate of \$240.00 for the first site, and \$120 for each additional site, which will carry through until September 30, 2005.

Firm Name: _____

Contact Name: _____

e-mail address: _____

Telephone: _____ **Fax:** _____

Mailing Address: _____

(Please to copy this registration form if you want to register more than 5 additional sites)

Site #	Site Location (Town)	Name of Site Contact	Site Contact e-mail	Applicable Registration Fee	Total \$\$ Payable
1				<input type="checkbox"/> \$240.00	
2				<input type="checkbox"/> \$120.00	
3				<input type="checkbox"/> \$120.00	
4				<input type="checkbox"/> \$120.00	
5				<input type="checkbox"/> \$120.00	
6				<input type="checkbox"/> \$120.00	
				Sub-Total	
				7% GST	
				TOTAL	

(GST Registration # R8899706727)

**Please return with payment (cheques made payable to OABA) to:
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