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For Immediate Release

Pièce GRAME- 4, doc.2

December 7, 2004

OEB Issues Proposal on Regulated Price Plan for Comment

Toronto – Today the Ontario Energy Board issued for public comment a Proposal for the new Regulated Price Plan (RPP). The RPP will be an electricity pricing plan that reflects the true cost of electricity within a stable and predictable framework.

Legislation requires the Board to establish a new pricing plan for electricity by May 1, 2005. The Board Proposal contains two separate price plans for low-volume and other eligible consumers. The first will replace the current two-tiered price structure of 4.7 cents per kilowatt hour (kWh) and 5.5 cents per kWh paid by consumers who have conventional electricity meters. The second price plan will support proposed new smart meters that measure electricity use according to the time of day. Eligibility for both conventional and smart meter prices under the new RPP will be determined by the Government of Ontario.

Both the RPP for conventional meters and the Smart Meter RPP would apply to the amount of electricity eligible consumers use every month and would not affect other charges on their bills.

Under the new structure for the electricity sector proposed by the government, the price paid to a generator for electricity will differ depending on the source. Some supply sources will have a fixed price and some a price that varies because it is obtained through a competitive market.

The Board will blend the various prices paid to generators into a fixed price that consumers will pay under the RPP so the price will be stable and at the same time reflect the actual cost of electricity they use. The Board expects to announce the prices for the plan in the first quarter of 2005 after it receives the necessary information on the different supply sources.

When the RPP takes effect, most Ontario consumers will have conventional meters that cannot measure electricity use by time of day. Under the existing two-tiered price plan, eligible consumers pay a lower price for the first 750 kWh they use in each month and a higher price for electricity use above that level.

For the new RPP, the Board is weighing two options for low-volume consumers with conventional meters. Under the first option, these consumers would have a two-tiered RPP with price tiers that remain constant throughout the year. The second option would be a two-tiered plan that divides the year into two seasons with different consumption thresholds for each season.

Under the seasonal approach, low-volume consumers would be charged the lower price for a larger amount of electricity used in the winter. In the summer season, the reverse would happen and consumers would be charged the lower price for a smaller amount of electricity used. To illustrate, the two-tiered plan currently in place uses a 750 kWh threshold all year around. The proposed seasonal approach, by comparison, could have a consumption threshold higher than 750 kWh in the winter and lower than 750 kWh in the summer.

The seasonal tier option recognizes that many residential consumers, particularly low-income consumers, depend upon electricity to heat their homes during the winter. These consumers may have limited ability to conserve electricity by cutting back their consumption. The seasonal tier option would also mean that consumers who use large volumes of electricity to air-condition their homes are likely to pay more.

There are some larger users that may be eligible for the Smart Meter RPP and some residential consumers that have meters capable of measuring electricity consumption by time of use. For those consumers, the Board is proposing that the Smart Meter plan take effect May 1, 2005. As more customers get smart meters, utilities will be required to transfer them from the RPP for conventional meters to the Smart Meter RPP. The government has set a target to deploy 800,000 smart meters to electricity consumers by 2007 and to all Ontario consumers by 2010.

The Board expects that the RPP will not change in the first year. In subsequent years, however, the Board Proposal says more frequent price adjustments may be necessary.

The Board's Proposal discusses the methodology for setting and adjusting prices, including price adjustments for differences between forecast prices and actual prices paid to generators. The Board also proposes that consumers who choose to leave the RPP to sign with a retailer will be charged or credited for their share of the differences between forecast prices and actual prices paid to generators.

The Board is asking interested parties to comment on the Proposal. Comments will be reviewed by the Board to determine if changes are required before it issues a draft code and amendments to other existing codes for public consultation. Comments should be sent to the attention of the Board Secretary by December 21, 2004. The Board is also holding a half-day workshop on December 14 to explain the Proposal to stakeholders and the general public.

The Ontario Energy Board is the regulator of Ontario's natural gas and electricity sectors.

For more information on the Board, how to submit comments or to review the Proposal, please visit our web site at www.oeb.gov.on.ca or contact the Customer Service Centre at 416-314-2455 or toll-free at 1-877-632-2727.

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