



# Understanding the Ontario Price

# The Ontario Electricity Market Price or “Ontario Price”

The Ontario Electricity Market Price is an improved wholesale price that businesses pay to cover part of the cost of producing electricity.

It replaces the Hourly Ontario Energy Price. This cost will appear together with the Global Adjustment as the “Electricity”, “Commodity” or “Energy” charge on wholesale customer bills.

The IESO is implementing this change to make the wholesale market more efficient, improve reliability and set the stage for new technologies to contribute.

What you pay for electricity will essentially stay the same, with incremental savings coming from the efficiencies being implemented by the IESO.

# Explaining the Ontario Price

For LDC customers who pay the wholesale price of electricity, the Ontario Price replaces the Hourly Ontario Energy Price (HOEP). Here's how it is different:

- It's more transparent. It incorporates costs that used to be included in the Wholesale Market Charge.
- You'll have a better sense of the next day's market price. You can look at the "Day-Ahead Ontario Zonal Price" which will be similar to the final price on your bill
- It's more efficient. The IESO expects to deliver significant efficiency savings over the next decade

Here's how it is the same:

- Your bill doesn't change. It's the market price for electricity that applies to all wholesale customers who purchase their electricity through an LDC.
- It will be added to the Global Adjustment, which covers other system costs such as building and maintaining generation and providing energy efficiency programs, to comprise the total commodity cost on your bill.

# THE ONTARIO PRICE

The Ontario Electricity Market Price, or the Ontario Price for short, is the hourly price for electricity that most businesses pay.\*

The IESO determines an hourly base price for electricity based only on the availability of supply to meet demand.

## BASE PRICE

The cost of producing electricity



This base price is adjusted to reflect the transmission system's ability to carry electricity across the province. Congestion and line losses result in hundreds of local prices. Only very large industrial or commercial consumers who participate in the wholesale market pay local prices.

## PHYSICAL CONGESTION & LINE LOSSES

Grid limitations that impact the ability to deliver power where it is needed



Local prices are aggregated to create an **hourly day-ahead** price that shows the optimal cost to provide electricity.

## THE DAY-AHEAD ONTARIO ZONAL PRICE



The Ontario Price is similar to the **hourly day-ahead** price. It is fine-tuned after the fact to reflect differences in real time.

## ONTARIO PRICE

The final price that appears on the monthly bill from the Local Distribution Company



\*Small businesses pay OEB Regulated Price Plan rates. Some large consumers participate in the IESO's wholesale electricity market and can choose to pay local prices.

# What are Ontario Zonal Prices?

The wholesale market aggregates a thousand local prices to create provincial day-ahead and real-time provincial prices – called the Ontario Zonal Price

## Day-Ahead Ontario Zonal Price

- The hourly price set in the day-ahead market – showing the cost to provide electricity given system conditions
  - Next day's prices are finalized by mid-afternoon the day before
- **Provides a strong indication of the final price as it accounts for almost all electricity supply consumed on the grid.**

## Real-time Ontario Zonal Price

- The five-minute price set in the real-time market and is applied to only a small amount of electricity demand.
- It is used to calculate an adjustment to true-up or down the day-ahead price to produce the Ontario Price.
- While there could be noticeable differences between day-ahead and real-time prices, the impact on cost will be minimal.

# Global Adjustment: What ICI customers need to know

- As market renewal is driving efficiencies across the entire electricity system over the next decade, these efficiencies will also help reduce Global Adjustment costs.
- These efficiencies will not, however, change the fundamental dynamics that have underpinned Ontario's wholesale market for more than twenty years.
- Price trends from hour-to-hour and day-to-day will stay the same. The inverse relationship between the Global Adjustment and the wholesale price will also remain.

## How to follow Demand and Prices at IESO.ca

- The Day-Ahead OZP is posted on the “Power Data” page – you can follow and compare it against demand.
- The Peak Tracker continues to provide demand forecasts from the IESO control room and shows how they rank against other peaks – providing the best signal to manage GA costs.