

The OPG Rebate Has Ended



Do you Know the Impact on Your Business?

On April 30, 2009, the Ontario Power Generation (OPG) Rebate ended and businesses and organizations who were receiving the rebate are now faced with new risks as well as new opportunities in the wholesale markets. Businesses should consider several factors that may result from this change when formulating their energy buying strategies and planning their energy budgets going forward:

- The OPG Rebate capped the price on Ontario's non-prescribed generation assets, which accounted for about 20 percent of Ontario's power generation mix¹. Now that the rebate has ended, businesses purchasing energy at market prices or through a retail electric supplier could face up to 20 percent more exposure to the market on their energy spend if they are not appropriately hedged.
- Since the OPG Rebate was paid quarterly to customers purchasing electricity through a competitive supplier and customers paying market prices, those customers will likely not see the actual effects of the rebate ending until after the last rebate payment is made (for the period ending April 20, 2009). Customers on the RPP will no longer have the OPG Rebate factored into the calculation of this price.
- Since the RPP will no longer be available on Nov. 1, 2009 for most public sector (MUSH) customers, another layer of price protection—in addition to the end of the OPG Rebate—will be removed, and unprepared consumers in this sector will then be exposed to market prices on the vast majority of their energy use

Additional Changes to the Generation Mix That Could Affect Price

To meet their proposed health and conservation agenda, the Ontario government is phasing out coal-fired generation facilities completely by 2014². Since coal has traditionally been a less-expensive generation source, as well as a higher contributor to Ontario's generation mix, it has influenced spot market pricing by keeping prices relatively low. However, in the future, natural gas—which typically can be a more expensive generation fuel than coal—will become the more influential fuel affecting market prices.¹

Energy Strategy Considerations for Ontario Businesses

In response to changes that the end of the OPG Rebate may have on your business:

- Consider hedging up to 20 percent more electricity to compensate for the exposure gap that was previously mitigated by the OPG Rebate.
- Consider making purchasing decisions sooner than later, before your last rebate cheque or before you are no longer eligible for the RPP. The Ontario power market has shown favorable conditions for much of 2009³. Consider exploring short-term, fixed-price options that can yield benefits over their term in comparison to spot market prices.
- Consider implementing energy efficiency efforts to lower your energy demand or enrolling in a demand response program, which can be an added source of revenue to balance out the costs associated with energy usage. Energy efficiency, conservation and curtailment have become an important part of many consumers' energy strategies.

The Choice is Yours

It's important to remember that the end of the OPG Rebate moves the Ontario power market closer to a market-based system, which can encourage positive results. In the long-term, a more competitive market structure allows consumer demand to influence prices and the allocation of resources so that suppliers compete for consumers' business and consumers have the choice to select the product/supplier that best meets their requirements.

Ontario's restructured energy markets allow you to choose an energy supplier, like Direct Energy Business, who can help you implement an energy procurement plan that fits your business model and usage. Direct Energy Business has extensive experience working with Ontario businesses to devise customized energy procurement solutions that align with our customers' business plans and help them manage their market risk. We are committed to helping you navigate through the government and regulatory changes in Ontario and capitalize on the benefits of a fully-deregulated power market.

¹ http://www.oeb.gov.on.ca/OEB/_Documents/EB-2004-0205/rpp_price_report_20081015.pdf

² http://www.ieso.ca/imoweb/pubs/marketReports/ORO_Report-Dec2008.pdf

³ <http://www.ieso.ca/imoweb/marketdata/marketSummary.asp>



About Direct Energy Business

Transparent pricing, experienced guidance and unequalled service. Direct Energy Business is dedicated to serving our customers with innovative energy management solutions. With more than 20 years of industry experience, we are dedicated to helping companies make cost-effective choices for their electricity and natural gas requirements.

For More Information

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