

From: [Sujitha Cyril](#)
To: [Sujitha Cyril](#)
Subject: LAS Electricity Program - 2023 Hedge Level & Options
Date: June 22, 2022 3:52:21 PM
Attachments: [2023 - Point of Contact and Desired Hedging Level Form 65%.pdf](#)

Dear LAS Electricity Program member,

Since the inception of the DCB Program in August 2010, the LAS Electricity Program has successfully provided members with predictable pricing and ability to budget for facility and streetlight accounts enrolled in both the hedge and spot market portions of the program.

Although LAS did not secure a hedge for the 2022 program year as pricing levels were higher due to market volatility, all participants were placed on 100% spot billing as a measure in providing pricing support.

LAS continues to seek opportunities for the upcoming year to once again offer Ontario municipalities an alternative to their default hydro rates. We continue to monitor the market to determine an appropriate time to secure a hedge for the upcoming program year (2023).

It is once again time for your municipality to select its hedge level that will take effect on January 1, 2023.

Hedge Level Options

As in past years, the LAS Electricity Program allows municipalities to choose between two distinct approaches to electricity procurement – a hedge purchase alongside 135+ other Ontario municipalities, or 100% Spot Market Billing. In both scenarios the Global Adjustment (GA) charge will be applied to your monthly usage, with LAS playing no role in determining the GA's month rate.

1. **Hedge Purchase:** A hedge purchase allows municipalities to purchase **up to 75%** of their annual electricity consumption at a fixed price, with the balance falling at the prevailing average monthly spot market rate. Going to market with the combined volumes of 135+ municipalities allows LAS to secure the best price possible for the program at the time of purchase and adds an element of stability to your commodity cost.
2. **100% Spot Market Billing: Under this option** LAS does not make any hedge purchases for the municipality. Instead, municipal accounts ride the ebbs and flows of the electricity market, meaning your commodity cost will fluctuate from one month to the next based on changes in external market factors (i.e. supply, demand, weather, etc.). Generally, this approach provides the biggest opportunity for cost savings over a 12-month period. However, it is also quite volatile and there can be large swings in prices from one month to the next, meaning this approach may not be for every municipality.

Please note the difference in LAS fees when considering each option, as this can greatly impact perceived savings under the program.

Your Hedge Level for 2023

Should you require more information, assistance, or have any questions about the selection of your 2023 hedge level, LAS would be pleased to speak with you about your options. If you've already determined which option to go with, you can complete the attached Hedging Level form and email it to Sujitha Cyril at scyril@amo.on.ca. **If we do not hear from you by Friday, July 29, 2022**, we will assume that you wish to continue on with your current hedge level for the 2023 purchase process.

Thank you for your continued support of the LAS Electricity Program, and please contact me if you have any questions.

Thank you,

Sujitha Cyril
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