

**OEB CONSULTATION ON REGULATED PRICE PLAN TIME-OF-USE-PRICING**  
**EB-2010-0364**  
**SUBMISSIONS OF THE CONSUMERS COUNCIL OF CANADA**

**Introduction:**

On October 18, 2010, the Ontario Energy Board ("Board") announced it was commencing a consultation on the price setting methodology and structure of the time-of-use ("TOU") prices under the Regulated Price Plan ("RPP"). The stated intent of the consultation is to ensure that the design of TOU prices is fair and meets the objective of ultimately reducing overall power system costs.

On December 15, 2010, the Board released a report prepared by the Brattle Group entitled, *Assessing Ontario's Regulated Price Plan* ("Brattle Report"). On December 21, 2010, the Board held a stakeholder meeting to provide interested parties an opportunity to ask questions about the Brattle Report and to provide views on the issues. The Board is seeking comments on the Brattle Report. These are the comments of the Consumers Council of Canada ("Council").

**General Comments:**

TOU pricing is relatively new for Ontario consumers. In addition, there are many utilities in the Province that have not yet installed smart meters and many customers that have not yet been transferred to TOU pricing plans. Only about one quarter of Ontario RPP customers are now being billed on the basis of TOU prices. As a result, Ontario has had very little experience with TOU pricing.

The Council submits that, until greater experience is gained, until consumers have a better understanding of how TOU pricing affects their bills, and until comprehensive data regarding customer usage patterns is generated, it would be premature to change the current model. Changing differentials, the number of pricing periods and the duration of those pricing periods in the near future will likely confuse customers. The Council urges the Board to recognize that, although other models may, based on more data and greater experience, be found to be preferable to the current model, how the transition to a new model is made must be carefully considered.

The Council stresses the need for more comprehensive consumer education regarding smart meters and TOU pricing. In order for TOU pricing to achieve the desired results (load shifting, a fair sharing of costs and the promotion of a more efficient electric system) consumers need to be better informed how the pricing works and how they can, under this pricing model, reduce their bills. Once consumers are better informed, it will be easier to make the transition to a new or enhanced model.

As a matter of general principle, the Council accepts that consumers should pay the true cost of electricity. The Council also recognizes that larger price ratios would create an incentive for consumers to shift load to off-peak periods. In all of this the Board must ensure that the commodity costs are recovered. Designing a system that is entirely focused in shifting load from peak to off-peak should not be the one overriding objective, however. The Council agrees with the Brattle Group that the objective should be to establish a fair sharing of costs and to promote a more efficient electricity system. The key issue will be determining the appropriate cost allocation for the each of the pricing periods.

The Council notes that some pilot programs have been undertaken in Ontario. The Brattle Group also noted the limitations in those pilots, namely that the durations were short and the participation small. The Council supports the introduction of further pilots that might assess different approaches, like

critical peak pricing ("CPP") and other TOU models, and submits that pilots should be required before any substantive changes to the current model are made.

#### **Brattle Report:**

The Brattle Report sets out the four steps the consultants undertook in assessing Ontario's TOU pricing. The first step was to benchmark the rates against industry best practices. Through that process they identified some areas in which the Ontario model could be improved. They then set out a number of alternatives and based on the alternatives several pathways for the future were outlined.

The Brattle Group observed that the Ontario model was in large measure in strong alignment with best practices. They identified some minor areas where the rate could be improved with respect to the mechanics of the revenue neutrality calculation. They concluded, however, that once better data was available some of these issues could be addressed (p. 3).

The Brattle Group notes that where Ontario differs most significantly from plans in other jurisdictions is with respect to the peak to off-peak pricing differentials. In addition, they state that a higher price ratio, more along the lines of 4:1 would provide customers with a greater incentive to shift away from the peak. The Council agrees. However, as noted above, the move to a model whereby the pricing period differentials are increased should be consistent with a fair sharing of costs and economic efficiency. To simply increase the differentials in the absence of a consideration of system costs would be inappropriate. Moving all of the solar and wind costs, for example, to peak is not consistent with how those resources are run. The Council is concerned that arbitrarily increasing the peak price would unfairly increase the cost burden for those that cannot shift their load.

The Council submits that on balance the pricing periods and rates should be consistent with the way in which generation costs are incurred in Ontario. This needs further study. In addition, any changes like shortening peak periods, increasing the differentials or reducing the number of periods should be subject to testing with the introduction of more comprehensive pilots. In addition, once more Ontario data regarding customer behaviour is available, alternatives might be considered.

The Council agrees with the Brattle Group that Ontario has a significant opportunity to further improve its TOU pricing plan. Having said that, the Council submits that making significant changes to the plan now is premature. We have a lot to learn about customer behaviour under the current plan, how that behaviour varies across the Province (from region to region), and customer behaviour under alternative models (through more comprehensive pilots). Education is also critical both in informing customers about the current model and in moving to any alternative models.

The Brattle Group set out a number of considerations for the Board and strategies based on different policy objectives. The Council urges the Board to carefully consider those priorities and move forward in a way that allows it to balance its objectives to promote economic efficiency and fairness, while at the same time protecting the interests of consumers with respect to prices. In addition, the Council urges the Board to ensure that Government policy makers do not override the Board's determination of how those priorities should be weighted and how the TOU pricing plan might be improved.