



ECMI
energy cost management inc.
1236 Sable Drive Burlington, Ont. L7S 2J6
Phone: (905) 639-7476 Fax: (905) 639-1693

Ontario Energy Board
27th Floor,
2300 Yonge Street,
Toronto, Ontario
M4P 1E4
ATT: Kirsten Walli, Secretary

May 20, 2008.

Dear Ms. Walli,

**Regulated Price Plan
Consultation on Time-of-Use Pricing Framework
Board File Number: EB-2007- 0672**

In accordance with the OEB's e-mail and web posting of April 17, 2008, ECMI submits its comments on the Board Staff Discussion Paper Regulated Price Plan - Time-of-Use Prices: Design and Price Setting Issues EB-2007-0672.

Three paper copies are enclosed. An electronic copy in Adobe Acrobat has been sent to boardsec@oeb.gov.on.ca.

Requested contact details are as follows:-

Roger White, President
Energy Cost Management Inc.,
1236 Sable Drive,
Burlington, Ontario
L7S 2J6

E-mail address: rew@worldchat.com
Phone number: 905 639 7476
Fax number: 905 639 1693

Respectfully submitted for the Board's consideration,

Original signed by R. White

Roger White
President

**ECMI comments on
Staff Discussion Paper
Regulated Price Plan - Time-of-Use Prices: Design and Price Setting Issues
EB - 2007- 0672**

If the province is going to be truly dependent on pricing to manage the electricity supply situation, then electricity pricing should have the following attributes:-

- It should be flexible, which suggests more rather than fewer pricing periods.
- It should reflect the relationship between electricity consumption and price to customers as soon as reasonably possible, which suggests monthly billing.
- Electricity pricing should complement and be integral with any carbon tax or other similar mechanic which might be based on price rather than volume so as to send clear and unambiguous signals to customers.
- Electricity pricing must be dealt with in the context of any electricity conservation initiatives by OPA, the province of Ontario or the federal government.

The fundamental question is whether the statute imposes an obligation of short term or long term price stability on the Board. If long term price stability is the goal, then it is important to consider the lead time required for incremental generation to come on stream as well as the cost of that incremental generation.

In ECMI's view, it is wrong to accept the short term price stability identified by Board Staff as an indicator of long term price stability. If TOU pricing is designed on yesterday's price stability, it will probably not be sufficiently flexible to respond to a more dynamic market place.

The Ontario context

Historically, Ontario's "meter" (overall peak demand) has led the province's economic performance by 6 to 18 months. It is possible that the province's electricity meter has to be considered in parallel with the province's gas meter in recognition of the energy cost.

Huge oil price increases have historically produced relatively long term demand stability for the electricity sector. At the end of that relative demand stability, the commodity price for electricity increased substantially with the open market environment. That price impact demonstrated a level of elasticity in electricity demand which was historically less visible.

Considerations for a prescriptive policy

The degree of incentive for energy conservation in all sectors of the economy will be influenced by the combination of all government and OPA subsidies together with the elasticity impact of higher commodity prices.

The true economic soup analysis must balance the four bullets identified above so that the pricing options permitted by the TOU structure will produce the best fit with the long term pricing needs of the province to produce a smoothly evolving supply environment. Failure to achieve the right ingredients in this soup or the right quantities of each

ingredient will fall short of the best long term option for TOU pricing and fail the long term price stability test.

Ultimately, customers are dependent on the OEB to make the right decisions and strike the right balance between pricing and conservation initiatives to produce long term commodity price stability.

If ECMI wishes to deliver one message, the decisions around TOU pricing should not be taken in isolation of this broader context but must be one of the tools in an effective long term regulatory regime.

Additional points

ECMI provides the following four points with respect to some of Boards staff's questions.

Mandatory vs. voluntary programs

In order for a program to be effective during power shortages it must be universal and mandatory. The universality produces the highest level of equity between customers.

Three period TOU pricing structure

ECMI agrees that the three period TOU pricing structure is appropriate.

The 1:2:3 ratio for TOU prices

In ECMI's view, the 1:2:3 ratio for TOU prices should be considered as a variable based on the needs of the system.

Equal billing

Equal billing is in conflict with effective TOU pricing. The effect of that conflict should be weighted against the price stability obligation of the Board.