

## Submission to the Ontario Energy Board RPP Consultation on Time-of-Use Pricing Framework (EB-2007-0672)

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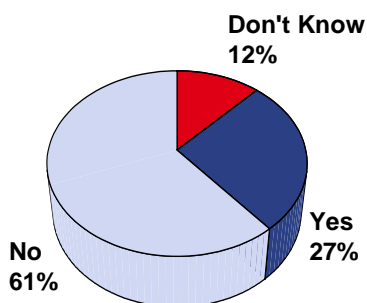
### Introduction

The Canadian Federation of Independent Business (CFIB) appreciates the opportunity to offer comments on the above noted Ontario Energy Board consultation.

As we have informed the OEB and the Minister of Energy on many previous occasions, we have grave concerns about the impact of the mandatory implementation of TOU pricing on small and medium-sized businesses – whether or not they are eligible for the RPP.

**The basis for our concern stems from the nearly two-thirds of our membership who have little or no operational flexibility to shift their electricity usage from one time period to another.** In a 2004 member survey we asked the following question about interval meters:

*“Interval meters record the time of day that electricity is used. This permits hydro companies to charge less for electricity that is consumed during off-peak periods (i.e. late afternoon, late evening or overnight). If you had an interval meter would your firm be able to shift some of its electricity usage from periods of high peak demand to off-peak periods?”*



Accordingly, we have urged all parties to be extremely cautious in the mandatory implementation of TOU pricing on businesses.

### The TOU Pilot Projects

Much of the Board's thinking in the discussion paper was informed by the Hydro Ottawa, Ontario Smart Price Pilot Project (OSPP).

From the Discussion paper: “In June 2006, the Board initiated, with the assistance of Hydro Ottawa, the Ontario Smart Price Pilot (“OSPP”) project to test the impacts on consumer behaviour of different time-sensitive price structures. The OSPP involved 375 of Hydro Ottawa’s electricity customers and, as described below, three different pricing structures.

1. Existing RPP TOU prices – the On-Peak price was 10.5 cents;
2. Adjusted RPP TOU prices with a critical peak price (“CPP”) – the CPP was 30 cents and reflected in the customer bill in the month the usage occurred<sup>1</sup>; and,
3. Existing RPP TOU prices with a critical peak rebate (“CPR”) – in this scheme customers got a 30 cent rebate on their bill for every kWh reduction in below their ‘baseline’ usage during the critical peak hours.

The Ottawa Hydro OSPP was exclusively based on residential consumers.

On page 6 of the discussion paper, Table 2 lists the other pilot projects currently in place:

**Table 2: Board-approved TOU Pricing Pilot Projects**

Distributor	Type of Customer	Other Parameters
Newmarket Hydro	Residential	RPP TOU prices Critical peak rebates Smart thermostats
Veridian Connections	Medium-sized business	RPP TOU prices
Hydro One	Rural	RPP TOU prices Real-time monitors/smart thermostats
Oakville Hydro	Sub-metered residential condominiums	RPP TOU prices
Peterborough Distribution <sup>4</sup>	Residential	RPP TOU prices Residential appliance controllers

Upon further analysis, we learned that the Veridian Connections pilot involved only 55 businesses. Equally as important, their average annual consumption was 2.55 GWh . This would suggest that they would not even be eligible for the RPP. Although information about the project is posted on the OEB website, we can find no documentation on the results of the pilot.

To put it simply, our basic concern is the possibility of large variations in TOU impact between industry sectors. The small sample size (55), let alone the fact that these businesses would not even be eligible for the RPP, makes it very unlikely that the results would be significant enough in assessing impacts at the sector level.

Despite the occasional reference to business users, there is no pilot information which the CFIB can find in order to respond to the serious issues raised in the discussion paper, including:

1. Structural Issues;
2. Price-Setting methodology;
3. Variance account issues; and

<sup>1</sup> To make this revenue neutral, the off-peak price was reduced on these days from 3.5 to 3.1 cents.

#### 4. The issue of price convergence.

It appears to us that the OEB is similarly handicapped in dealing with these issues as far as small and medium-sized businesses are concerned. All the more important for the OEB to take a step back on this important issue.

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### The Overriding Issue for CFIB's RPP-Eligible Members

The overriding issue for our RPP-eligible members is one of fairness.

On page 4 of the consultation paper, we find the following: "RPP prices are set so that "average consumers" would pay the same for their electricity (commodity only) regardless of whether they are charged two-tiered or TOU prices, provided they do not change their consumption patterns. The average unit cost of RPP supply is the same for the "average" RPP consumer, regardless of the pricing structure that applies."

This is the same principle that was outlined in a recent letter we received from the Ministry of Energy. For purposes of this consultation, we will refer to this as *The Principle*.

It appears to us that the Board has no way of applying *The Principle* to the small business sector. In two meetings with Board staff (one last year and one early this year), staff advanced the proposition that TOU would be revenue neutral for small business. While some would gain and some would lose, argued the Board, on balance things would 'average out'. While this is may be the case, we cannot find any evidence to support this proposition.

We do acknowledge that *The Principle*, as applied to residential customers, does have an element of 'rough justice' in it. It is based on the 'average customer profile'. There will be some residential winners and losers.

However, there is no question that there is greater usage variance in the small business group than in the residential sector – different industry sectors would have substantially different usage profiles. While a small percentage of small businesses have the flexibility to respond to TOU pricing, the majority do not. This would further suggest that as far as the small business group is concerned, the majority will stand to lose a lot. Add to this that some small business users have little or no load shifting flexibility and there will almost surely be some horror stories.

**Recommendation One:** Proceed with this consultation only as far as residential consumers are concerned. Redesign and conduct TOU pilot studies in the small and medium-sized business sector. Then, with sufficient and necessary data in hand, resume these consultations as far as this critical sector is concerned.

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### Critical Peak Pricing

Given the above, it is clear that critical peak pricing (CPP and its variant - critical rebate pricing CPR) will increase the threat of adverse impacts of TOU pricing on small and medium-sized firms.

The only flexibility many of them would have at their disposal would be to shut down their operations during critical peak periods and suffer the loss of their family's income.

Would this be fair? Let's ask a different question. Motivated by a desire to conserve electricity, government might consider shutting down their own operations during critical peak periods. In doing so, would they ever consider not pay their own employees for the hours involved?

**Recommendation Two:** Do not apply critical peak pricing to small and medium-sized business owners.

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## Summary

CFIB will make separate representation to the Ontario Government on the issue of the timing of mandatory TOU pricing in the small and medium-sized business sector – both for those businesses eligible for the RPP and for those who are not.

For purposes of this consultation, we thank the OEB for the opportunity to make the views of our 42,000 small and medium-sized business members in Ontario known on the design of RPP TOU prices. Our sector looks forward to a favourable, sensible outcome of this consultation.