

May 23, 2008

Kristen Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

VIA EMAIL & COURIER

Dear Ms. Walli,

Re: EB-2007-0672 Consultation on Time-of-Use Pricing Framework

Ontario Energy Savings L.P. ("OESLP") is a large retailer of natural gas and electricity that operates in numerous jurisdictions throughout Canada and the United States. In Ontario, OESLP provides more than 500,000 customers with energy services. As a result, issues set out in this staff discussion paper are relevant to OESLP. OESLP submits the enclosed comments in response to the questions posed in the Staff Discussion Paper on the following:

1. Structural Issues
2. Price-Setting Methodology
3. Variance Account Issues
4. Billing Issues &
5. Longer Term Issues

Please contact me should you have any questions or concerns.

Yours truly,



Nola L. Ruzycki
Director, Regulatory Affairs
6345 Dixie Road, Suite 200
Mississauga, Ontario L5T 2E6
Tel: 905-795-4204
Fax: 905-564-6069
nruzycki@energysavings.com



1 Structural Issues

1.1 Should the three-period TOU pricing structure be retained? If not, what alternative approach should be considered and why?

As it currently stands, the three-period TOU pricing structure works well, as it is easy to understand and follow from the consumer's perspective. Ontario Energy Savings L.P. ("OES") believes that the TOU pricing structure should be retained in its current format.

However, it is with great disappointment that we reiterate our concerns regarding the lack of consumer hourly consumption data available from distributors to the retail market participants. Since, we receive consumer information, including consumption data, electronically an EBT change is required to determine where a smart meter customer begins to be billed TOU pricing. Furthermore, we have not been consulted on the types of systems being put in place to collect and analyze consumer consumption information, nor informed regarding how retailers will access, or be provided, the required consumption and settlement information. OES needs to ensure that the retail market is not adversely affected by its inability to implement retailer TOU products creating an unlevel playing field. Some utilities will begin offering TOU pricing while retailers are unable to due to the consumption data being unavailable during the transition phase.

1.2 Should the seasonal variation in TOU pricing be retained? If so, should it be retained in its current form or should adjustments be made (for example, to simplify by having only one On-peak period during the day in the winter)?

OES supports consistent TOU pricing throughout the year. Having a seasonal variation on pricing may introduce some consumer confusion, which could be eliminated by a single TOU pricing schedule for the year. Given the newness of TOU pricing it will take some time for a consumer to remember that they can save money if they hold off their consumption to an off-peak period or mid-peak period. If the pricing and schedule changes every 6 months this will certainly add to the length of time it will take consumers to truly mitigate their usage based on pricing, because every 6 months they will need to learn a new schedule and modify their consumption accordingly. OES supports consistent TOU pricing throughout the year.

1.3 *Should critical peak pricing be implemented as part of the RPP TOU prices?*

1.3.1 If yes,

When should this be done?

Should CPP or CPR be used?

Should the program be mandatory or voluntary for consumers?

No, critical peak pricing should not be implemented as part of the RPP TOU prices. Critical peak pricing, in itself, can add to consumer confusion, and may trigger an increased volume of consumer concerns/complaints coming into the various LDC, retailer, and regulator call centers. There is no practical way to inform consumers en masse that a critical period is about to start, nor educate consumers regarding the duration and price. At this early stage where consumers are only just beginning to understand Time of Use pricing more generally, OES cautions against implementing a measure such as this. This may be appropriate in the future once more experience has been gained, or evidence gathered that a critical peak pricing would have the desired outcome.

The Board also notes that implementation of a critical peak pricing option would require the development, deployment and testing of additional meter data communications infrastructure. The current challenges of deploying data collection infrastructure to support TOU pricing alone suggest that an incremental approach to critical peak pricing may be best. Regardless of whether it is an incremental approach, or an all out recovery retailers need be involved in the development and deployment of meter data infrastructure in order to maintain consumer relations, and fairly compete in the electricity market.

2 Price-setting Methodology

2.1 *Should the Board retain a price setting methodology that focuses on the recovery of supply costs on a “segmented” basis? Alternatively, should the Board set prices to recover total supply costs only, while under- and over- recovering in individual TOU price segments?*

OES supports a price-setting methodology that reflects the true cost of power at the time of use.

2.2 *Should multi-period cost of supply recovery be examined to provide more flexibility in setting prices? Should a reduction in the cost recovery period to six months be considered for consistency with the frequency of price changes?*

No, OES doesn't believe that a multi-period cost of supply recovery should be examined, as we believe pricing methodology should reflect as close a possible the true cost of attaining the power.

Yes, OES supports adjusting the cost recovery period to six months as a more frequent adjustment brings us closer to the true cost.

2.2.1 *Should the 1:2:3 ratio for TOU prices be reconsidered? If so, how should the ratio be adjusted?*

2.2.2 *Should the Board consider the 1:2:3 ratio as a variable, adjusting it to respond to policy priorities and/or cost recovery issues?*

3 Variance Account Issues

3.1 *Should the recovery period for VA balances be changed?*

3.1.1 *Should the current practice of a uniform charge (or credit) per kWh for variance account recovery/return be modified? If not, should the VA balance charges or credits be pro-rated like the stochastic adjustment?*

3.1.2 *Should the VA balance clearing amount be allocated differently depending on whether it is a credit or debit?*

3.1.3 *Is the \$160 million trigger appropriate in the context of a TOU RPP pricing regime that could result in TOU price adjustments larger than 0.2 cents per kilowatt-hour? Should the allocation methodology provide maximum flexibility to address price ratio*

issues or should it rely on a rules-based methodology for certainty reasons?

OES supports the current \$160 million trigger. OES also supports a rules-based allocation methodology.

3.1.4 Despite the possibility of additional settlement costs, should the Board consider a two variance account system (including two adjustment trigger amounts) to address cross subsidy issues during a transition period when TOU pricing becomes more prevalent?

Again, OES supports reflection of the true cost of electricity at the consumer level. Until the market participants and the consumers gain more experience with TOU pricing it cannot be determined that a two variance account system would address cross-subsidy issues.

4 Billing Issues

4.1 *Should all distributors be required to bill TOU customers on a monthly basis? Why or why not?*

OES supports that all distributors should be required to bill all customers on a monthly basis. Standardized monthly billing would ensure that consumers could budget more effectively, and react appropriately to price signals.

4.1.1 If yes, what are the implications for investments in billing and meter data infrastructure?

4.1.2 If yes, should monthly billing be phased in? Over what time period should this phase-in occur?

OES submits that standardized monthly billing should not be phased-in. Instead, we suggest that the OEB set a date of implementation for all distributors, or require that distributors begin monthly billing upon their election of mandatory Time of Use pricing. Monthly billing cannot be phased-in for an individual customer and switching some customers to monthly billing on a different schedule than switching others would be inconsistent. That inconsistency will cause operational expense for retailers and will be unfair to customers.

4.1.3 How could equal billing be retained while preserving the TOU incentives for load switching and/or load reduction?

OES understands that Time of Use pricing is difficult to show on a bill that is smoothed by way of equal-billing programs, however it is our view that the consumption data, and pricing differences (TOU vs. non-TOU, and equal-billing effect) can be demonstrated to the customer on the monthly bill in the form of consumption pattern graphs/tables or explained as “this is the price you would have paid were it not for equal-billing that has reduced/increased your total.”

5 Longer Term Issues

Board staff would welcome any comments on alternative methodologies for setting TOU prices to address the issue of price convergence.

In light of the Board Decision in EB-2007-0032 where retailers requested hourly data be communicated to them during the smart meter transition period, the Board found that investments in the distribution systems required to accommodate our request, were not warranted. OES is still very concerned with the lack of a transition plan and clarified end state. A collaborative transition plan will allow all market participants to work towards a common goal and to adjust their respective business processes and systems in a coordinated and cost effective manner. Excluding retailers from this process creates an unfair barrier for retail competition, and frustrates consumers who may wish to participate in TOU pricing with a retailer.