



May 22, 2008

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2700  
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

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

Dear Ms. Walli:

The Building Owners and Managers Association of Greater Toronto (BOMA), together with the Federation of Rental-housing Providers of Ontario (FRPO), is pleased to provide the following input to this consultation.

For reference, BOMA's members are typically larger commercial accounts that are not eligible for RPP. As such, the views provided here are not from the perspective of directly affected consumers. Rather, they are from the perspective of larger consumers who have an active interest in the proper functioning of the electricity market, with enhanced demand management capabilities, and achievement of conservation potential.

FRPO on the other hand, represents multi-residential housing providers, who *are* eligible for the RPP. To the extent that FRPO has specific views, or views that are divergent from BOMA, we will attempt to make those clear.

## **General Comments:**

BOMA has been a strong advocate of the move to implement smart metering for all consumers. We see smart metering as a means to more intelligently manage the overall power system, and especially as a means of influencing consumer demand. To the extent that the overall efficiency of the power system can be improved, all consumers will benefit.

We view TOU pricing for RPP consumers as the natural (and long overdue) extension of smart meter implementation. (The phrase 'smart meters...dumb prices' has been coined by others.)

The questions posed in the discussion paper are highly technical in nature. This underlines the inherent complexities in rate setting. We suggest that the ultimate 'answers' will only be known through broader adoption and experience with smart meters and TOU rates. The vagaries and changing nature of mass market consumer response has to be expected and respected.

The discussion paper references the pilot projects that have been undertaken. We view these as extremely valuable and instructive. However we caution that they represent only a relatively small number of participants. As such, conclusions taken from the pilots should only be considered to be *directional*.

We regret that this discussion cannot be fully aided by some directly relevant experience, right here in Ontario, which appears to have been overlooked. That is, the Toronto Hydro Residential Optional Time of Use Program ('Powershift') that ran from approximately 1994 to 1999, which was open to all residential customers. Unfortunately it would appear that the collective experience gained from this program was never assessed or documented. For reference we have attached Toronto Hydro rate cards, and will refer to this in our responses.

The feedback from some of our members who participated in the Toronto Hydro Powershift program as residential customers was that it was a resounding success. The price periods and price differentials were such that clear financial benefits were attainable and realized by modifying usage patterns. The primary changes undertaken were:

- Use of timers to control electric water heaters to operate only during off peak periods (often with 60 gal oversized storage).
- Postponement of dishwashing and laundry as the major discretionary usages until off peak times.

The understanding and acceptance of TOU pricing was definitely achieved with the Power shift program. Again it would be highly instructive to know the number of actual participants and whether any assessment or research was undertaken.

We also believe there is one very significant additional aspect associated with the implementation of TOU pricing. This is referenced in the discussion paper but arguably not given the emphasis it deserves. That is, the resulting *conservation* effects from having consumers become more aware of their electricity usage. Regardless of the ultimate TOU rate design, we believe this conservation effect is a very real and desirable outcome of TOU adoption.

## **Responses to Discussion Paper Questions:**

### **Structural Issues**

We suggest that for TOU pricing to effectively be put into practice, the pricing periods cannot be overly complex. We believe the existing structure, with its seasonal variation, **is** overly complex and not conducive to learned or intuitive understanding. Frankly, we suspect that few people could ever recite the ten pricing periods without referring to a chart!

Following from this, we note that the Toronto Hydro Powershift program had 3 distinct price periods – “Peak, Shoulder, and Off Peak”. Also that the OSPP participants indicated their endorsement of 3 price periods. As such we believe that 3 price periods be retained.

However, we do not believe the ‘double’ peak periods during winter are warranted. While it may have reflected power system performance at the time the RPP was developed, we feel it is overly complex and not intuitive to consumers. Again, noting the Toronto Hydro Powershift TOU rates, summer and winter price periods are the same. We suggest that this approach would be more easily understood and accepted.

BOMA has consistently advocated for critical peak pricing as an extension of TOU pricing, to act as an effective demand response mechanism in times of severe power system stress. However, as the original working group recommended, CPP was to be considered *following experience gained with smart meter implementation and TOU pricing*. Regrettably, TOU pricing implementation has only happened on a limited basis.

While CPP may be a highly effective demand response tool, we believe it may be counterproductive to introduce it prior to consumers’ first becoming familiar with, and accepting of, TOU pricing. Following such an introduction period, we believe it should be mandatory pricing, and not a voluntary or rebate arrangement.

### **Price-setting Methodology**

Our opinion here is that adherence to cost recovery by price segment is an exercise in unnecessary and arguably artificial cost accounting that detracts from the very objective of having time of use pricing. (With respect, when we routinely experience negative hourly prices and have monthly clearing prices that do not cover the cost of production, such that the global adjustment is consistently a *charge* to consumers, then strict adherence to the application of a cost based approach would not seem warranted.)

We believe there must be a real and significant differential in TOU prices to elicit changes in consumer behaviour.

We note that the present RPP TOU prices have a ratio of: 1 to 2.7 to 3.4. However when you consider this is only the commodity portion, and add to it non-commodity charges of say, 4.2 cents, this further erodes the price differential to: 1 to 1.7 to 2.0.

cents/ kWh						
	<u>Off Peak</u>	<u>Mid- Peak</u>	<u>On- Peak</u>		<u>Ratio</u>	
<b>RPP Prices - as at May 2008</b>	2.7	7.3	9.3	1	2.7	3.4
<b>Net RPP Prices with 4.2 cent non-commodity charge included</b>	6.9	11.5	13.5	1	1.7	2.0
<b>Toronto Hydro 'Powershift' TOU rates - 1999</b>						
winter	3.52	6.39	12.65	1	1.8	3.6
summer	2.42	5.28	9.36	1	2.2	3.9

While a 2:1 differential between on peak and off peak prices may be sufficient motivation to modify consumer behaviour, we suggest it be considered a *minimum differential*.

We note that the Toronto Hydro Powershift TOU rates, which were inclusive of all commodity and non-commodity charges, maintained a differential of up to 3.9 to 1.

We believe a pragmatic and understandable approach would be to use the forecast average RPP price (as determined by the total RPP revenue requirement) to set the *Mid-Peak* TOU price. Then set the On Peak and Off Peak prices to maintain a net differential (considering non-commodity costs) of at least 2:1.

### **Variance Account Issues**

For practicality we believe that current VA procedures be essentially maintained, with the caveat that On peak - Off Peak net price differentials be maintained at approx. 2:1 as a minimum.

Likewise we would not endorse a 'two variance account system' and suggest that any resulting cross-subsidization between RPP and RPP-TOU customers during the transition period should be limited in magnitude and be considered an acceptable consequence.

## **Billing Issues**

We believe monthly billing for all consumers is a desired and attainable end-state, as evidenced by major LDCs that follow this practice. Monthly billing provides feedback to consumers that should reinforce interest and participation in managing consumption.

We do not see that equal billing plans will undermine the broader load shifting/management objectives of TOU pricing. It will be important for consumers to have information on their bill that shows kWh consumption by price period. And for those consumers who want more detailed information, to be able to access hourly usage profile information through a web portal, as contemplated by the smart metering entity.

## **Other Issues:**

Of particular note for multi-residential consumers, FRPO has endorsed the adoption of smart sub-metering as an effective means of achieving conservation. The licensed smart sub meter providers currently serving the multi-residential market have metering technology that can readily adapt to TOU pricing. FRPO sees the adoption of TOU pricing as a proper evolution to motivate demand responsive behaviour amongst tenants and to allow comparable treatment for both multi-residential tenants and residential consumers.

Thank you for the opportunity to contribute to this important initiative.

Yours truly,



Chuck Stradling  
Executive Vice President  
BOMA Toronto

c. Vince Brescia, President and CEO, Federation of Rental-housing Providers of Ontario

## Residential Optional Time of Use Rates All Offices

---

### Applicability

This rate applies to residential customers participating in Toronto Hydro's *POWERshift* Time of Use Program.

### Rates

	Winter (Jan. 1 – Mar. 31 Oct. 1 – Dec. 31)	Summer (Apr. 1 – Sep. 30)
<b>Customer Charge</b> (per month)	\$9.60	\$9.60
<b>Distribution Charge</b> (per kWh)	\$0.0100	\$0.0100
<b>Energy Charge</b>		
Peak Energy (per kWh)	\$0.1265	\$0.0936
Shoulder Energy (per kWh)	\$0.0639	\$0.0528
Off-peak Energy (per kWh)	\$0.0352	\$0.0242

### Peak Period

9:00 am - 8:00 pm, Monday – Friday, excluding holidays

### Shoulder Period

7:00 am - 9:00 am, 8:00 pm - 11:00 pm, Monday - Friday, excluding holidays

### Off-peak Period

11:00 pm - 7:00 am, daily and all day on weekends and public holidays

### Late Payment Charge

A late payment charge of 5% is applicable to the current bill (excluding arrears and GST) when payment is received after the due date, 14 days from the date of mailing.

### Effective Dates:

East York - May 3, 1999  
Etobicoke – June 7, 1999  
North York – May 3, 1999  
Scarborough – May 3, 1999  
Toronto – June 7, 1999  
York – May 3, 1999

## Eligibility

This rate applies to residential customers participating in Toronto Hydro's POWERshift Time of Use Program.

Rate Code 190: Residential, no electric space heating;

Rate Code 194: Residential, with electric space heating;

Rate Code 195: Hall, stairs, general basement lighting on a separate meter.

## Rate

	Winter (Jan. 1 - Mar. 31, Oct. 1 - Dec. 31)	Summer (Apr. 1 - Sep. 30)
Service Charge * (per mo.)	\$9.62	\$9.62
Peak Energy Charge (per kWh per mo.)	\$0.1479	\$0.1237
Shoulder Energy Charge (per kWh per mo.)	\$0.0818	\$0.0818
Offpeak Energy Charge (per kWh per mo.)	\$0.0435	\$0.0330

## Peak Period

9:00 am - 8:00 pm, Monday - Friday, excluding holidays

## Shoulder Period

7:00 am - 9:00 am, 8:00 pm - 11:00 pm,  
Monday - Friday, excluding holidays

## Offpeak Period

11:00 pm - 7:00 am, daily and all day on weekends and  
public holidays

\* Service Charge applies to all customers regardless of energy consumed.

## Minimum Bill

The minimum bill does not apply to this rate code.

## Late Payment Charge

A late payment charge of 5% is applicable to the current bill (excluding arrears and GST) when payment is received after the due date, 14 days from the date of mailing.

# TORONTO HYDRO RATES

Effective January 1, 1995

2.0 Residential  
TIME OF USE  
POWERshift

## 2.12 POWERshift EXPERIMENTAL RESIDENTIAL TIME OF USE RATE RATE CODES 190, 194, 195

### **RATE CODES:**

- 190: residential, no electric space heating  
194: residential, with electric space heating  
195: hall, stairs, general basement lighting on separate meter

This rate is applicable to residential customers participating in Toronto Hydro's *POWERshift* program.

### Winter Period:

January, February, March, October, November and December

### Summer Period:

April, May, June, July, August and September

### Service Charge

This fixed charge of \$ 9.62 will be applied on a monthly basis regardless of consumption. The \$7.40 minimum bill is not applicable to customers on this rate.

### ENERGY CHARGES

#### **PEAK PERIOD**

9:00 am-8:00 pm Monday to Friday,  
excluding holidays

	<u>WINTER</u>	<u>SUMMER</u>
Per kilowatt-hour .....	\$0.1601	\$0.1369

#### **SHOULDER PERIOD**

7:00 am-9:00 am, 8:00 pm-11:00 pm,  
Monday to Friday, excluding holidays

Per kilowatt-hour .....	\$0.0826	\$0.0826
-------------------------	----------	----------

#### **OFF-PEAK PERIOD**

11:00 p.m. - 7:00 a.m.,  
Daily and all day on weekends and public holidays

Per kilowatt-hour .....	\$0.0352	\$0.0242
-------------------------	----------	----------

### Late Payment Charge

A 5% late payment charge applies to the current bill (excluding arrears) when payment is received after due date.