

April 18, 2019

Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
Attn: Ms. K. Walli  
Board Secretary

Dear Ms. Walli

Re: **EB-2016-0201 The RPP Roadmap: Examination of Alternative Price Designs for the Recovery of Global Adjustment Costs from Class B Consumers in Ontario**

The Electricity Distributors Association (EDA) thanks the Ontario Energy Board (OEB, the Board) and its staff for its research on Global Adjustment (GA) pricing for Class B customers. With this research LDCs are hopeful that these customers may experience a price signal that provides them with new opportunities to manage their share of GA costs. As the paper notes, the design of today's Class B GA price signal to Class B consumers has had the effect of putting upward pressure on the peak demand and providing a low quality price signal to the consumer. The only GA mitigation strategy that LDCs can offer their non-Regulated Price Plan Class B customers is to consume less. LDCs point out that since the paper was issued on February 28, the Minister of Energy, Northern Development and Mines has issued a Directive to the OEB that materially changes the LDC's ability to offer conservation programs.

The EDA recognizes that the GA price signal to Class A customers provides them with a clear and effective incentive to reduce their contribution to the province's coincident peak. This price signal was designed to contain peak supply cost pressures to the benefit of all electricity consumers. However, the price signal experienced by Class B customers has had the effect of increasing the average percentage change in annual peak demand. Not only is this outcome contrary to the objective of containing peak supply cost pressures it is also contrary to the objectives of Conservation and Demand Management, whose costs – even with the recent changes made by the government – will continue to be recovered through the GA.

Our LDC members anticipate that they will continue to be actively engaged in educating Class A and Class B consumers on their responsibility for GA and how to mitigate it. Class B GA pricing interrelates to other reviews currently underway (e.g., the IESO's Market Renewal Program; the government's recently commenced consultation on industrial electricity prices that concerns commodity, transmission, distribution and regulatory costs; initiatives on the deployment of innovative technologies). Going forward, the EDA anticipates that customers will also need to be educated on how to co-ordinate among and between the outcomes of these interrelated initiatives.

The EDA looks forward to Board staff furthering its work and suggests that the next steps include:

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- a clear analysis of the fairness and understandability of each identified price structure
- a clear statement of the purpose and objectives of the GA so that inconsistencies or potentially offsetting factors can be detected
- comparing and contrasting the recovery of GA from Class A customers with the recovery from Class B customers (e.g., for consistency, for whether they are complementary)
- the identification and ranking of the relevant policy objectives, accompanied by supporting logic
- a description of how the economic efficiency metrics - change in annual peak demand, avoided or added costs, consumer benefit - and the bill impact analysis are to be used.

From the consumer's perspective, the fairness and understandability (e.g., of a proposed rate design, of an incentive) impact adoption and participation, which are key to attaining objectives and realizing intended outcomes.

Unrelated to the pricing of GA to class B consumers, the staff research paper makes an observation of a consequence of minimizing system expansion: specifically, that it limits growth of the system and, by implication, that it constrains growth in consumption or demand. As the paper points out, a focus on minimizing system expansion effectively diminishes the consumer benefit. The EDA suggests that this observation may explain consumers interest in and willingness to deploy innovative technologies behind-the-meter and notes that this observation summarizes an unintended consequence to the consumer.

The EDA supports the Board staff's research into this issue and looks forward to the work continuing to provide insights into the recovery of the GA from Ontario's electricity consumers. Please do not hesitate to contact Kathi Farmer at 905.25.5333 or at [kfarmer@eda-on.ca](mailto:kfarmer@eda-on.ca), if you have any questions about this submission.

Sincerely

*Original signed by*

Teresa Sarkesian  
President and Chief Executive Officer