



April 18, 2019

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Re: OEB Staff Research Paper *Examination of Alternative Price Designs for Recovery of Global Adjustment Costs from Class B Consumers in Ontario*
AMPCO Comments
Board File No. EB-2016-0201

Dear Ms. Walli:

The OEB released a staff research paper on February 28, 2019 entitled “Examination of Alternative Price Designs for the Recovery of Global Adjustment Costs from Class B Consumers in Ontario”, which describes staff’s analytical research evaluating a variety of generic GA pricing options for Class B customers on the basis of economic efficiency and consumer cost impact. AMPCO has reviewed the research paper and provides the following comments.

General

From a general policy perspective, AMPCO supports the OEB’s efforts to improve electricity pricing structures to give greater customer control over when they use electricity based on the potential system efficiency benefits. AMPCO recognizes and supports that further engagement activities are planned under this consultation. However, AMPCO wishes to underscore the need for the OEB to fully consider and test the range of potential impacts on customers that flow from any proposed changes including the need for direct consultations with all affected parties. AMPCO supports OEB staff’s plan to obtain more granular information on business processes including business type, geography and other relevant factors.

Impact on Customers

OEB staff’s analysis considers all Class B consumers, both those who are enrolled in the RPP and those who are not. However, the impact on other customer classes is not included in the analysis. Ontario’s ICI is considered to be outside of the scope of work on Class B pricing.¹ Most AMPCO members pay Global Adjustment (GA) costs directly. AMPCO is concerned that changes to pricing options for Class B customers could have a significant impact on Class A customers and other customers. In order to avoid unexpected consequences, the impact on all customer classes needs to be in scope in this consultation and used to evaluate pricing options going forward. Along with maximizing economic value, consumer equity needs to be a key objective so that disproportionate consumer impacts – both positive and negative – are avoided.

¹ Research Paper P82

Timing of Change

The OEB launched the Regulated Price Plan (RPP) Roadmap in November 2015. At that time, the OEB believed that the “current stable state of Ontario’s electricity system”, as indicated by the IESO’s most recent forecasts of supply and demand, provides an ideal opportunity to implement a multi-year roadmap for the RPP that will meet the needs of the future.² The RPP Roadmap sets out a multi-year plan to redesign the RPP better and evaluating how to improve the way in which the GA costs are collected is a key element of the RPP Roadmap.

Ontario’s electricity system is no longer stable and perhaps the timing of this consultation should be reconsidered. Ontario’s electricity sector currently has many moving parts and its participants are presently engaged in numerous activities including the government’s review of industrial rates. The OEB’s review of the recovery of GA costs from Class B customers should not get ahead of the government’s consultation and must fully consider the outcome of the government’s review.

Methodology and Conclusions of the Research Paper

Of the five pricing prototypes considered, OEB staff concludes that a GA price directly correlated with hourly Ontario electricity demand (called demand-shaped price) yields the greatest net positive economic efficiency results. The economic analysis calculated the expected change in electricity demand from each prototype relative to the status quo price and the avoided system cost and induced consumer benefit of each alternative demand profile for each year 2018-2031. Net benefit is the sum of avoided costs and consumer benefit. The focus of the analysis was to determine the value of each pricing option relative to the alternatives studied rather than to predict the total amount of benefit or cost. In AMPCO’s experience, demand response through shifting or decreasing electricity use in response to financial incentives helps make AMPCO largest members more competitive. However, some Class B customers are less likely to respond to price signals and value stability and rate predictability more. These business types and customer preferences need to be further evaluated moving forward. Further discussions need to be had on the idea that economic efficiency considerations are superordinate to customer bill impacts. AMPCO may not agree with this.

It is AMPCO’s understanding that the assumptions used in the analysis require validation or correction and comprehensive databases of hourly consumption profiles for general service customers need to be developed. In addition, the prices need to be applied to real consumers as the research presented has been constructed in a model universe. Plus the results of RPP pricing pilots for residential consumers that were initiated in selected areas across the province are not expected until the latter half of 2019. Filling these data gaps is critical for the next phase of this consultation in order to address AMPCO’s concerns regarding the need to fully understand the impacts on all customers before deciding on a pricing option.

AMPCO’s main concern with OEB staff’s methodology is the limited sensitivity analysis presented. Data for most prototypes is based on only two examples. In order for a more dynamic analysis, more examples need to be tested. Before this stage, however, OEB staff should get together with affected parties to further explain the report, better understand the customer perspective and seek direct customer feedback.

² OEB Letter dated November 16, 2015 re: EB-2014-0319 RPP Roadmap

All of which is respectfully submitted.

Best Regards,

(Original Signed By)

Colin Anderson
President
Association of Major Power Consumers in Ontario