

August 25, 2022

By EMAIL & RESS

Ms. Nancy Marconi - Registrar
Ontario Energy Board
2300 Yonge St, Suite 2700
P.O Box 2319
Toronto, ON
M4P 1E4

Dear Ms. Marconi:

Re: Non-RPP Class B Dynamic Pricing Pilot Program (EB-2022-0079)

Thank you for the opportunity to provide input to the Ontario Energy Board's (OEB's) Non-RPP Class B Dynamic Pricing Pilot Program (Non-RPP Class B Pilot) price design in response to the Minister of Energy's November 16, 2021, and July 29, 2022, letters. The Electricity Distributors Association (EDA) represents Ontario's local distribution companies (LDCs), the part of our electricity system closest to customers. Ontario's LDCs are on the front lines of power and work to keep our electricity system safe and reliable for households, small businesses, farms, and commercial/industrial customers. These are our comments on OEB staff's proposed Non-RPP Class B Pilot as set out in the stakeholder engagement presentation materials on July 28th, 2022.

The EDA is supportive of the OEB exploring dynamic pricing pilot options for the provinces Non-RPP Class B customers and identifying opportunities where pricing options can be improved for this sub-section of customers. The pilot programs will provide information to offer future additional pricing choices to Class B consumers with average monthly maximum demand of greater than 50kW and do not participate in the Industrial Conservation Initiative. As the consultation materials describe, the proposed programs would be delivered through electricity distributors, and it will be very important to study the critical role that LDCs play in managing the successful implementation of customer selection and leveraging their uniquely positioned businesses to communicate options with their customers.

Ontario's electricity consumers know that their LDC is their front-line representative to the electricity system. LDCs are knowledgeable about their customer mix, and consumer profiles as well as what their customers want and need. LDCs have the technical skills, experiences, and abilities to responsibly execute the OEB's pilot programs and offer their expertise on all observable impacts that the OEB pilot program will have on customers. This will support LDCs in meeting their customers expectations and being 'part of the solution' to offering pricing options appropriately to Non-RPP Class B consumers fairly and equitably.

Below are the responses of LDCs to the OEB's 19 questions on the design elements and organized by category of the Non-RPP Class B Pilot Program.

Objectives:

- 1) What additional objectives, if any, would you like to see as part of the Non-RPP Class B Pilot Program?

The EDA recommends the following additional objectives be evaluated as part of the Non-RPP Class B Pilot Program:

LDC Partnership Role in developing and administering the pricing pilot programs should be established. Distributors are the customer facing entity within the province and they hold customer relationships, existing billing structures and expert knowledge on staff to successfully support the OEB's pricing pilots. For LDCs to play an effective role in a pricing pilot they should be included in the development and design considerations and have a clearly established partnership role to leverage existing customer relationships and communicate benefits to eligible customers. It is our recommendation that the OEB and IESO partner closely with LDCs to develop next steps and achieve mutually beneficial outcomes.

Cost Shifting should be evaluated and monitored supporting each of the Non-RPP Class B price design details. The pilot programs should not be evaluated in isolation; rather, they should be evaluated in whole to identify any undesirable outcomes that may impact other consumers in response to dynamic pricing. Many customers may not have the capacity or expertise to manage dynamic prices and those who are unable to choose a dynamic program should not have to incur higher prices. **Any price plan that creates inequities amongst consumers should be avoided.** A quantitative risk assessment should be performed to determine and verify where cost shifting risks may occur and if the risks reasonably outweigh the benefits.

Consumer Profiles need to be evaluated within the program design. Non-RPP Class B consumers vary across the province in size, consumption profiles, geographic location, seasonally, and industry sectors. Non-RPP Class B pilot programs should be evaluated using analysis of categorized consumer profiles to fully understand which consumers will benefit from an optional pricing plan and whether a price option favourably targets specific sectors of consumers.

- 2) Do the objectives of the Non-RPP Class B Pilot Program need to be considered from any other perspective?

Please see response to #1 above. Each objective of the Non-RPP Class B Pilot Program should also consider LDC partnership role, cost shifting, and consumer profile perspectives.

Implementation Process:

- 3) What if any modifications would you make to the proposed delivery model for the Non-RPP Class B Pilot Program?

We encourage the OEB to provide a comprehensive quantitative evaluation of the pilot program impacts as well as bill comparatives for the proposed customer class between the "Application, and Design" and the "Recruitment Phase". Modelling the impacts of each design element through a comparative billing assessment would add valuable insight into the consumer benefits of piloting

each program. Without a quantitative analysis it is difficult to offer any modifications to the proposed delivery model for the Non-RPP Class B Pilot Program. However, if the OEB were able to categorize customer profiles within the program offerings for the pilot outcomes, then this type of analysis could provide insight to LDCs for which consumer categories would benefit and better enable the delivery of the proposed models. If a summary analysis is provided LDCs could leverage their communications with the potential customers to test and pilot various pricing programs.

- 4) What are the barriers and risks to implementing the Non-RPP Class B Pilot Program as presented?

Feasibility needs to be considered from an LDC support perspective for the Non-RPP Class B Pilot Program. LDCs are uniquely positioned and have a core role in the implementation of Non-RPP Class B Pilot Programs and should engage in a leading partnership role for both the “Design” and “Recruiting and Testing” phases of the implementation process. A risk to not recognizing the critical role LDCs hold in the participation of this pilot would be ignoring potential for negative impacts of cost shifting, and the identification of consumers who are unfavourably impacted due to a shift in pricing plans. LDCs will be able to monitor impacts more closely in their jurisdiction. We recommend that the OEB provide clear and supportive communication to any Non-LDC proponents to seek an LDC partner early in the program design to ensure that pilot program design can be implemented in the most efficient and accurate method.

Pilot Design:

- 5) What level and type of guidance would you like from the OEB regarding the design of the pilots?

LDCs that elect to participate in a pilot program must have a leading role in the execution of the pilot programs across the province. The OEB should support LDCs in this critical role and provide LDCs with clear direction to evaluate the pilot programs that could be beneficial for customers in their region.

The type of OEB guidance that would be beneficial is a summary impact assessment which quantifies bill impacts to consumers comparatively by pilot program type. If LDCs can recognize unique consumer profiles within their individual regions that could benefit from a particular pilot program, it could leverage its existing customer relationships to recruit customers to participate in a pilot program.

- 6) In your opinion, which price plan would offer the greatest benefit to Non-RPP Class B customers?

Our capacity to provide concrete recommendations is limited by the lack of quantitative evidence or consumer forecasts to analyze. While we do recognize and appreciate the OEB’s details provided on slides #30 – #38 which describe the examples of Non-RPP Class B Price Designs from the 2019 Staff Research Paper, it is our opinion that modelling the expected billing impacts of these programs comparatively may offer more valuable information for customer engagement in pilot programs. There are benefits and risks to each of the pilot programs (Critical Peak Pricing, Hourly Demand-Shaped GA Price, and Enhanced Time-of-Use); however, we do not currently have the evidence or evaluation to suggest which price plan offers the greatest benefit to all eligible Non-RPP Class B customers and whether there could be unforeseen negative pricing impacts shifted to other customer groups.

7) What criteria should be considered when evaluating a proposed pilot design?

Some additional criteria that we believe should be considered when evaluating a proposed pilot design are:

- **Provincial-Wide Scale:** Consideration should be given to whether a pricing program can be implemented on a province-wide scale in a timely and cost-effective manner.
- **Leverage Current Systems and Processes:** Determine which design leverages LDCs' existing metering, settlement, billing, and customer support infrastructure as opposed to requiring large and costly system changes to these practices.
- **Cost Shifting/Cross Subsidization:** Incenting customer behaviour in line with system benefits should be encouraged. Program design should also avoid any undue cross subsidies between participants and non-participants. Pricing proposals should provide incentives only to the extent they are in line with market and system benefits.
- **Customer Participation:** The pilot program should be largely inclusive across the consumer class and not biased to specific customer segments, demographics, geography, size, timeframe, etc.
- **Complexity:** Pricing pilots should be developed in a clear and easily understood manner to minimize consumer confusion or inappropriate enrollment in non-beneficial pricing plans.
- **LDC Partnership:** Maximize the LDCs' unique role to implement the program which is appropriate for its consumers.

Timeline:

8) What is a reasonable timeline for the Non-RPP Class B Pilot Program?

The EDA encourages the OEB to recognize the multiple pressures on billing systems which LDCs across the province are currently implementing. Distributors are in the process of developing and testing their billing systems to offer programs such as Ultra Low Overnight Time of Use rates and Green Button implementation in 2023. Many of these new programs and customer choice options require the same staffing resources who would oversee implementing a Non-RPP Class B Pilot Program. We suggest that it would be more reasonable to set a pilot timeline to occur in 2024. This may increase the number of LDCs that are able to participate in pricing pilots. While we are supportive of the proposed 18-month run time for pricing pilots, it is important to recognize that LDCs will require changes to backend software and billing presentment considerations and these processes will require a minimum of 8 months lead time to set up before beginning to conduct the 18 months of in-field testing.

9) What do you see as the greatest risk to the timelines?

The greatest risks to timelines are:

- LDCs currently hold relationships with their customers, regional knowledge, customer billing profiles and billing expertise to successfully implement pricing pilots. If the LDC role is not clearly communicated and supported by the OEB, this could pose a risk to timelines. We encourage the OEB to engage in both formal and informal communication with LDCs about their pilot expectations.

- Customer engagement and enrollment in the Non-RPP Class B Pilot could impact the timelines. Each LDC has a unique customer mix, and some jurisdictions may require longer timelines to successfully go-live with their own pilot program depending on their customer eligibility, counts and consumption profiles.
- Ignoring consideration of other pricing and billing program changes currently underway could severely impact enrollment and timelines. Availability of LDC staff resources and software changes required need to be considered. To implement this pilot in the most cost-efficient and resource efficient manner, the OEB should consider an appropriate timeline which does not overlap with other provincially mandated programs, e.g., Green Button, Ultra Low Time of Use, or Billing system upgrades.

Roles and Responsibilities:

10) What other entities, if any, may have a role to play in the Non-RPP Class B Pilot Program?

No comment.

11) Who are the potential proponents?

LDCs are uniquely set up to be the proponents and leading partners for the pricing pilots in the industry.

12) What are the barriers to participation for Non-RPP Class B consumers?

The barriers to participation for Non-RPP Class B consumers would be unclear communication to customers. A billing calculator or clear summary of pricing options provided by the OEB could assist in eliminating this barrier to participation.

13) In your opinion, what role do LDCs need to play in a Non-RPP Class B pricing pilot?

LDCs should play a critical partnership role in designing, administering, recruiting, and evaluating pilot program impacts. Customers are making decisions about their use of electricity and how to best obtain the electricity commodity and services they need. LDCs need to prepare their systems and communications so that their customers have the information they need to make sound decisions so that once the customer has made their decision, they will not experience undue delay.

Funding:

14) What would you estimate it would cost to implement a pilot under this program, including the cost associated with bill savings?

Costs are dependent on which pilot program was preferred; without this information, it is difficult to estimate the cost. As discussed earlier in the timeline response it is important for the OEB to recognize the LDCs' available resources to participate in a pilot program. If multiple programs are being implemented and prioritized at the same time, in-house resources at LDCs may be strained and this could require additional billing staff members or outsourcing of project management which could be costly. Additionally, if an LDC is pressed to perform billing system changes very quickly as has been experienced in the past, costs may be incurred above budget because LDCs may be required to pay premium prices hiring IT and billing system consultants to perform large changes under shorter

timelines. It is important for the OEB staff to consider all these timing aspects prior to LDCs estimating the incremental costs to implement a pilot.

15) What aspects of the pilot costs would you like to see covered?

Every incremental LDC cost associated with the implementation, setup and testing of the price pilot should be covered. Rates are set every 4 to 5 years under the cost-of-service model and unforeseen costs are not built into rate base. Cost recovery will be important and the OEB might find participation rate to be lower if all costs incurred are not covered.

16) What resources (staff, capital for equipment) would pilot participants need to provide in order to achieve savings from participating in the pilot?

As mentioned above in responses to #14 and #15 there are multiple scenarios in which these estimates could shift. LDCs require more details regarding the pilot programs to provide estimated costs.

Example: Non-RPP Class B Price Designs

17) Which of the pricing plan examples would you most like to see tested?

18) Which of the example pricing plans do you think would be of the greatest benefit to Non-RPP Class B consumers? To the electricity system? Why?

19) What other price plans or pricing elements should be considered for a pilot?

EDA Response to #17/#18/#19

To effectively comment on these questions posed by the OEB it is important to LDCs that the OEB be able to provide quantitative comparatives for each Non-RPP Class B Price Design example. Due to the range of customer profiles in the Class B Non-RPP consumers in each region, it is difficult to determine which example is preferable amongst LDCs and whether at this time that can be determined across the province. The EDA encourages the OEB to provide LDCs with a clearly defined pricing impacts summary for each pricing plan and indicate which consumer profiles benefit from each program. Once a table showing the benefits to customers, and the impact to other classes, LDCs will be better informed to provide feedback on preferred pricing examples. Bill calculator comparisons would offer clear and identifiable benefits to customers and the consumption profiles which would benefit from each pricing plan example.

Thank you once again for the opportunity to comment on this proposed development of Non-RPP Class B Pilot Program. We look forward to partnering with the OEB and IESO on this project and offering valuable LDC feedback. Should you have any questions on this submission or require clarification, please do not hesitate to contact Brittany Ashby, Senior Regulatory Affairs Advisor, at bashby@eda-on.ca or at 416.886.4420.

Sincerely,



Teresa Sarkesian
President & CEO