

Elson Advocacy

November 8, 2022

Nancy Marconi

Registrar
Ontario Energy Board
2300 Yonge Street, 27th floor,
P.O. Box 2319
Toronto, Ontario M4P 1E4

Dear Ms. Marconi:

Re: EB-2022-0160 – Notice of Proposal to Amend the Standard Supply Service Code (“SSSC”) and the Regulated Price Plan Manual (“RPP Manual”)

I am writing on behalf of Environmental Defence to provide comments on the draft amendments to the Regulated Price Plan Manual (“RPP Manual”). Environmental Defence strongly supports the new optional ultra-low overnight price plan and the work to implement the plan. However, the price-setting methodology set out in the RPP Manual would overcharge participants in this new plan, which is unfair and could undermine the important goals of the new price plan. The draft amendments to the RPP Manual do not fix this problem. Environmental Defence understands that the OEB is working on a solution and requests that a solution be implemented as soon as possible.

Benefits of the Ultra-Low Overnight Price Plan

If implemented properly, the new price plan will bring about important benefits. This new plan will reduce electricity costs for customers who help the electricity system by shifting their demand from high demand periods when electricity is expensive to low demand periods when it is cheap. This will help customers lower their energy bills, reduce strain on the electricity system, and therefore reduce the overall cost of electricity in the province. It will also support the decarbonization of our electricity system and reduce the cost of electric vehicle ownership by giving customers the option of charging their vehicles at a very low price.

Fair Price-Setting Methodology

The current price-setting methodology would not fairly allocate costs between the customers in the three pricing plans. Customers who use less electricity at peak times put less strain on the electricity system and cost less to serve. The current price-setting methodology does not account for this.¹ Therefore, it will overcharge customers in the new price plan as they will on average use less electricity at peak times.

¹ The current price-setting methodology does not account for this because it allocates costs to the customers in each of the three rate plans based on an average province-wide demand profile. Therefore, it will not account for the fact

This issue will come up on an annual basis in November when the prices are reset. This resetting will eliminate the financial reward to customers in the new price plan that they should earn because they use less electricity at peak times when it is most expensive. This is described in the OEB's March 2022 report to the Ministry:

Absent any additional changes to the OETOU consumers' average load profile, electricity bills for OETOU consumers would, as a result of the new prices, increase on average back to the level they had been paying prior to enrolling in the OETOU price plan. Equalizing average revenue collected implicitly means equalizing average bills. The financial reward to OETOU consumers for their prior period shift in demand (in ways that benefit the system and all electricity consumers collectively) would, on average, be eliminated.²

The OEB report also discussed a solution to this problem, stating as follows:

One potential change is to modify the price-setting process to set prices for each price plan based on the estimated costs incurred by consumers on each price plan separately. That is, rather than calculate one universal RPA that represents the average supply costs incurred by all RPP consumers, separate RPAs could be calculated, for each price plan, based on the projected supply costs that would be incurred by consumers on those price plans.

The prices on each price plan would then be set to recover the projected average supply cost attributed to consumers on each plan, rather than the collective average supply cost. As a result, any change in the collective load pattern of consumers on a specific price plan that leads to a change in supply costs, either up or down, would be reflected in a commensurate change in the prices on that price plan in the subsequent price-setting period.³

Although to the draft amendments do not implement a solution (i.e. they still rely on a single RPA), it is excellent that the OEB is looking into solutions to this major problem. However, the details are complicated and this will take time. It is also important that any solution be implemented before the resetting of prices first occurs in November of 2023. If the methodology is not changed, the resetting of prices at that time will inflate the costs for customers in the new price plan such that they are overcharged for the electricity they consume. Perhaps more worryingly, it could mean that the prices for this new price plan for 2023-2024 would be artificially high right at the time when many customers will first be looking into switching to the new price plan. That could deter customers from joining and therefore set this initiative off on the wrong foot and limit the potential benefits.

that customers in the new rate structure cost less to serve because they have a "flatter" demand provide that requires less electricity infrastructure to serve. This is important because

² OEB, *Report to the Minister of Energy, Design of an Optional Enhanced Time-Of-Use Price*, EB-2022-0074, March 2022, p. 29.

³ *Ibid.*, p. 30-31.

During an OEB consultation session on September 13, 2022, the OEB indicated that it was still possible to have a change to the price setting methodology in place for November of 2023. However, no commitments could be made and it was not clear whether this will occur in time. We strongly urge the OEB to ensure that the change is made in time.

Letter of Direction from the Minister of Energy

The priorities outlined in the October 21, 2022 letter from the Minister of Energy would support the OEB expediting work to fix this problem. In particular, the Minister's letter specifically highlighted electric vehicles, distribution sector cost efficiency, and cost-effective non-wires alternatives as priorities. These priorities would all be furthered by fixing this cost allocation problem, as detailed below:

- **Electric vehicles:** The new rate plan would give electric vehicle owners an opportunity to lower their electricity bills by lowering their contribution to system costs (i.e. charging at night). This goal will be furthered by ensuring that these customers are not overcharged.
- **Distribution sector cost efficiency:** The new rate plan will give customers an incentive to move electricity consumption away from peak times, which would reduce distribution costs because they are driven by peak consumption. This positive incentive will be blunted if the price-setting methodology is not fixed.
- **Non-wires alternatives:** Non-wires alternatives are the most financially feasible if all of the value they create can be realized by the owner. If the price-setting methodology is fixed, the new rate plan will provide positive financial incentives through rates, especially for non-wires alternatives like storage devices owned by residential customers.

There were strong reasons to fix the price-setting methodology before the latest letter of direction from the Minister. Those reasons are even stronger with this latest direction.

Conclusion

This is an excellent initiative that can lower electricity bills and benefit the environment. By fixing the price-setting methodology, the OEB can avoid potential pitfalls and maximize these important benefits. We thank you for providing the opportunity to make these submissions.

Yours truly,



Kent Elson