

Dynamic Pricing Options for Non-RPP Class B Electricity Consumers (Non-RPP Class B Pricing) – Summary Q&A

Stakeholder Meeting on September 9, 2024

Question & Answer Posted on September 24, 2024

Overview

The OEB held a stakeholder consultation on Dynamic Pricing Options for Non-RPP Class B Electricity Consumers on September 9th, 2024. This document summarizes various questions asked during that session, as well as the responses given.

The OEB notes that much of its work to date in this consultation has focused on research and price design. Important implementation considerations regarding matters such as switching rules and some of the points noted below will need to be considered if we are asked to further develop and implement one or more price plans after submission of our report to the Ministry of Energy and Electrification in winter 2024. We plan to engage stakeholders on those issues at the relevant time.

1. Q: Has the OEB considered seasonal pricing?

A: Yes, the Real-Time Price (RTP) varies each hour as a function of provincial demand and therefore reflects the seasonal changes in demand. The non-RPP Time-of-Use (non-RPP TOU), on the other hand, only reflects intra-daily variations in price since the price structure is consistent throughout the year. Cost-reflectiveness and simplicity/acceptability are both important aspects of rate design. However, satisfying one typically involves a trade-off with the other. Therefore, the OEB has considered two price plans that encompass this trade-off. The RTP is more cost-reflective because it reflects hourly demand conditions. This means that it reflects seasonal trends in electricity demand, but also makes it more complex. The non-RPP TOU is simple, but not as cost-reflective because it remains consistent throughout the year.

2. Q: Has the OEB considered how the variance associated with one or both price plans would be carried?

A: Yes, the OEB has considered how variance would be settled for one or both price plans, if implemented. Our current thinking is that it would likely follow the RPP variance approach, but this is an implementation issue that has not yet been refined.

3. Q: Is there a regional component to the proposed price plans?

A: These price plans do not vary by region. They are designed to recover Global Adjustment (GA) costs, which are recovered on a province-wide basis. Since GA is not collected on a regional basis, these plans are designed to follow the same approach, if implemented.

4. Q: Has the OEB explored bill impacts for customers considering energy storage solutions?

A: No, the bill impact analyses conducted by Guidehouse (a consultant retained by the OEB to assist with this work) is based on historical consumption data from 2021-2023 and assumed no change in load profiles or behaviour. The OEB recognizes, however, that both the non-RPP TOU and RTP plans could be beneficial to energy storage facilities.

5. Q: Has the OEB considered load shifting impacts?

A: The bill impacts analysis conducted by Guidehouse (a consultant retained by the OEB to assist with this work) is based on historical consumption data from 2021-2023 and therefore no load shifting is assumed. The OEB is in the process of estimating aggregate load shifting in the long term for likely adopters¹ for each price plan. This will be carried out based on price elasticities (change in consumption relative to change in price). These long-term price response estimates will be approximations of the long-term economic benefits for both price plans.

6. Q: For the objective of “minimizing short-term disruption,” can the OEB clarify what time frame qualifies as “short-term?”

A: The OEB considers “short term” to be up to 5 years from implementation.

7. Q: Wasn’t the OEB considering piloting price plans to assess outcomes before full-scale implementation. Is that still the plan?

A: Yes, the OEB invited interested stakeholders to submit applications to pilot alternative price plans, but ultimately no final proposals were received. In lieu of a pilot, the OEB developed a consultation-focused and research-based approach. The OEB leveraged its 2019 staff paper and related consultations as well as an analysis

¹ The likely adopters have been identified based on historical consumption data and assumed adoption thresholds for both non-RPP TOU and RTP. It should be noted that there is a great deal of overlap between these groups for both price plans since both plans are designed to be cost-reflective (i.e., many of the likely adopters of RTP were also identified as likely adopters of non-RPP TOU).

of AMI data to gain quantitative information on price response. These findings were supplemented by additional engagement with LDCs and customers.

8. Q: Has the OEB considered informational tools to assist customers in making informed decisions?

A: Yes, the OEB has considered what informational tools would be important for enabling informed customer choice. From the interviews conducted with associations that represent non-RPP Class B consumers, we learned that many organizations would benefit from a bill calculator or other resources to support their decision-making processes.

We will consider informational tools further, as appropriate, if we are directed to implement a new price plan. At this stage, our primary focus is on designing the potential price plans.

9. Q: Would prices for the non-RPP TOU price plan be set each year, similar to RPP prices?

A: If implemented, non-RPP TOU prices would likely be set at a regular cadence, similar to RPP prices today. The interval of that cadence (e.g., six months, 12 months, etc.) will be determined if this price plan is implemented.

10. Q: Which part of a customer's bill would these price plans apply to?

A: These price plans are designed to recover GA costs only. If implemented, customers who opt into an optional GA price plan would also continue to pay the Hourly Ontario Energy Price (HOEP), as they do today.

11. Q: Has the OEB considered the impacts on customers who do not adopt the proposed price plan(s), if implemented?

A: Based on the AMI analysis conducted by Guidehouse, the impact to non-RPP Class B consumers who do not adopt is estimated to be a 0.3% increase if only non-RPP TOU is implemented. The estimated increase is 0.2% if only RTP is implemented.

These estimates are based on the assumption that all “likely adopters” choose to opt into the respective price plan. Likely adopters are defined as consumers whose load profiles are such that even without taking any actions to respond to the alternative prices they will reduce their bills. Large customers (annual total bill \geq \$150K) with bill savings of 5% or more and small customers (annual total bill $<$ \$150K) with bill savings of \$1,000 or more are considered to be likely adopters of the alternative price plans, conditional on the assumption that they are adequately informed of the benefits these plans offer them.

12.Q: Would RPP-eligible customers who sign onto a retail contract be eligible?

A: No, these price plans are designed for Class B consumers who are not eligible for RPP.

13.Q: Are there any alterations envisioned for Class A customer eligibility in the foreseeable future?

A: This initiative does not address Class A customer eligibility. Class A eligibility is determined by government regulation.

14.Q: How will the implementation of the Market Renewal Program affect the introduction of these alternative price plans?

A: We have consulted with the IESO and confirmed that the Market Renewal Program does not change the components or structure of the GA and how it is collected. While any persistent directional change in market prices will affect the magnitude of the GA, we expect this to be relatively small if any changes do occur as a result of the Market Renewal Program.

15.Q: Did the OEB consider charging a price based on distribution connection capacity?

A: No, the OEB did not consider such an approach because charging GA based on distribution connection capacity would not be cost-reflective.