

October 10, 2024

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge St, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: Dynamic Pricing Options for Non-RPP Class B Electricity Consumers**

On November 15, 2021, the Minister of Energy requested that the OEB collaborate with the Independent Electricity System Operator (IESO) to develop a plan to design and implement a dynamic electricity pricing pilot to assess the benefits for Class B consumers that are not eligible for Regulated Price Plan (RPP) prices. Such Non-RPP Class B customers include multiple rate classes between the mid-size commercial and light industrial businesses – henceforth referred to as a rate segment of Class B. The Electricity Distributors Association (EDA) has been engaged on the process over the last few years and has provided feedback on behalf of the members and our customers to support dynamic pricing options. Most recently on June 17, 2024, we hosted a meeting with the OEB and its members to solicit distributor specific feedback, and provide OEB staff with added clarity from our August 25<sup>th</sup>, 2022, [submission](#) on the proposed pilot program.

The EDA represents local hydro utilities across Ontario. Ontario's electricity customers know that their LDC is their frontline representative to the electricity system. LDCs are knowledgeable about what their customers want and, more importantly, what their customers need from both a global and specific rate class perspective. LDCs are trusted by their customers for insights into their existing and future needs for electricity and delivery services support and appropriately planning their distribution systems and deploying technology on an ongoing basis. **We support providing customers with greater choice and control through a dynamic pricing option** which addresses forecasted increases from electrification, as well as giving customers a choice to shift their demand from high price to low price periods.

This submission provides our comments on matters arising in the above-named consultation. Our members will be directly affected by the outcome of the recommendations of the OEB to the Ministry as it will impact customers, and there is a potential risk for shifting the load profile of this rate segment in our distribution networks. On behalf of all our members, we appreciate the OEB for progressing on this issue and directly engaging our members early through the EDA council member meeting. The following submission is organized by the OEB's three areas of interest:

- (1) General Feedback,
- (2) Price Design Feedback, and
- (3) Implementation Considerations and Feasibility.

**(1) General Feedback:**

***EDA members are supportive of providing the Non-RPP Class B customer segment with an option for pricing. Our members believe that, if properly designed and executed, this will allow customers to reduce their electricity costs, promote demand side management, or incent electrification.***

We believe that any alternative rate design chosen by the OEB and that impacts the delivery rates must be fair, equitable and not give undue preference or discrimination to any one rate class. Other customer groups (Class A and RPP) currently have pricing options, and we support offering the Class-B Non-RPP segment with choices that better match the cost of service to the rate charged.

Overall focus should be on cost causality, fairness, transparency, and ease of understanding, and communication to customers. When examining the impacts of the dynamic rate pricing for a Class B Non-RPP rate segment, it is important to note not only the overall impact to the province, but also the geographic impact and the variation of customers in this rate segment that exists among the LDCs. We encourage the OEB to scope the impacts on all Class B customers and the shift of cost, and behavioural pricing (geographically, and seasonally) to be considered when evaluating new rate design.

We do not have a strong preference between the two presented options: Option (1) Non-RPP Time of Use (TOU) which is categorized as a simplified and predictable version of daily demand conditions, and Option (2) Real Time Price (RTP) which is categorized as communicating near real time demand conditions to consumers.

There are still several unexplored factors when it comes to options provided to this rate class, and we encourage the OEB to perform a holistic review before we provide a recommendation. Using a high-level review, Option (1) TOU would likely be more predictable (given that the pricing buckets are set once per year) and is likely to have a larger uptake (given that risk levels are lower). However, the RTP option would likely be more cost reflective. Each option may introduce certain implementation requirements unique to that option. Our primary concern for RTP is that customers may not benefit from this choice if they do not have energy consultants as a resource to readily react to fluctuations in real time.

**(2) Price Design Feedback:**

Below is our response to the OEB's requested feedback on the following Price Design related questions.

### **Option 1 vs Option 2 / Customer Uptake:**

Our initial thoughts upon the OEB's September 9<sup>th</sup>, 2024, presentation to stakeholder groups of the two pricing plan options is that they may provide some relief to this customer segment by offering variation and control to managing their energy costs. However, to provide customers with the best option or recommendations, we encourage the OEB to perform a holistic quantitative review of the impacts, business and industrial customer profiles, and to continue to survey the customer segment to evaluate their preferred proposed alternative rate design.

While we acknowledge that intended pilot programs didn't achieve the hoped for results, we encourage the OEB to consider a short pilot of each rate design in 2025. It is also important to evaluate how many customers in this rate segment have consultants available to advise them.

The proposed dynamic pricing plans do not specify limitations on frequency or rate plan switching for customer opt in, or opt out limitations, or recourse for customers who misunderstand the options between these segments of dynamic pricing plans. To mitigate this issue, we urge the OEB to tie the frequency of rate plan switching to the current practices that already exist for the residential rate class customer optionality.

### **Alternative Rate Designs:**

We do not have comments, or suggestions for alternative rate design options. We believe either of the two options suggested would/could meet the OEB's objectives as set out in the stakeholder materials.

We believe a missing element to the options proposed is seasonality and this should also be considered in the development of OEB's proposed pricing options, as it may significantly impact alternative pricing options for consumers that are unable to match their operational load profile to the price fluctuations. Ontario has a wide range of customers on Non-RPP Class B pricing plans across our diverse province, and it is our strong recommendation that this not be overlooked.

### **Load Shifting:**

Unique challenges and factors that the OEB should consider as they develop their price design report to the government is potential and possibly unintended load shifting and the impact of capacity shifting between Non-RPP and RPP (TOU) settlements in Global Adjustment, and Wholesale Market Charges.

If the OEB has not already done so, we encourage it to meet with the IESO to perform a full quantitative analysis from the initial billing of the customer choice all the way through to power settlement to evaluate the impacts of providing this rate segment split with optionality. While the proposals would address the identified problem of sending price signals to shift consumption patterns as is the case with Class A customers. Our concern is that non-RPP GA

costs will be shifted between segments of Class B, and RPP and Non-RPP. While some customers might benefit from the new pricing plans, the costs will shift to the other segment of customers and create an unintended spike in costs potentially above materiality.

### **Customer Education and Tools:**

### **Customer Communications and Optionality:**

A hurdle to adoption which is potentially solved by developing a strong communications and customer education program is the complexity of understanding who is eligible for the Dynamic Pricing Program. For example, describing how the Non- RPP Class B rate segment would shift to a potential RPP Class B pricing program, and how global adjustment billing is changed, could affect the uptake in the proposed alternative rates. Customers may require assistance to calculate their options and mitigate confusion on this proposed shift of the Non-RPP segment to RPP segment. Customers generally understand TOU to mean electricity commodity pricing, and many are probably not aware of or understand the difference between RPP or Non-RPP as rate segments.

We recommend that the OEB create and make the following information and tools available to consumers to aid them in opting for the most suitable pricing option and supporting informed decision making:

- A robust comparative analysis tool or calculator that can assess customer interval profile data across a duration of time, and that considers seasonality. This tool should be dynamic enough to consider the numerous variations in pricing options the segment may be exposed to already (e.g., Hourly Ontario Energy Price (HOEP), RPP TOU, and RPP two-tiered prices).
- A general explanation (and perhaps video) of the GA pricing options and what is included in GA.
- Enhanced educational content regarding the design and mechanics of the pricing schemes, including root cause for fluctuations.
- Insights on price forecasting over the entire opt-in period.
- Communication from the IESO on price fluctuations (including forecasts) to reduce customer confusion.
- FAQs shared among the industry, as well as a report from the IESO on the uptake on pricing plans province wide.

For consistency purposes across the many jurisdictions in Ontario, we will require bill messaging for eligibility, bill print, customer service scripts, and an OEB informational video to help our customers understand their options and impacts.

As previously mentioned above, the unique challenges and opportunities presented by offering choice to Non-RPP Class B customers is marketing the alternative rate structures and educating customers which will be an ongoing challenge for the industry. Many Class B customers do not have the internal resources to calculate differing rate options in this regard.

### **(3) Implementation Considerations and Feasibility:**

#### **Implementation Feasibility:**

Both Option 1 and Option 2 presented by the OEB are equally challenging to implement. The implementation costs associated with system & settlement changes, billing display changes, as well as customer education and communication, will be significant and cost recovery will be important. The success of these proposed pricing options is largely dependent on customer uptake, which will drive the feasibility and cost-effectiveness from an implementation perspective.

#### **Implementation Planning and Challenges:**

Implementation costs and challenges that LDCs will face in implementing either proposed new dynamic pricing for Non-RPP Class B rate programs will depend on the changes that are proposed and the design that is chosen. These decisions are fundamental to planning the implementation impacts and the lead times provided to distributors to implement. However, the following can be generally considered for all dynamic rate implementations, and most recently experienced by distributors in the success of rolling out the Ultra-Low RPP plan to the residential rate class:

- **Billing System Costs:** Incremental billing system upgrades, and review processes may be required.
- **Vendor Costs:** Short implementation timeframes result in higher costs.
- **Metering Configuration Changes for TOU.**
- **Internal Billing System Coordination:** The considered rate segment currently does not flow billing data through the billing system the same way that, for example, TOU is organized. Therefore, data would not be organized in the same method as other rate classes. System and infrastructure changes would be required to accommodate any structure based on time of day, rather than metered consumption.
- **Increased Regulatory and Financial Costs:** Load Forecasting, Rate Design, Billing Determinants, Settlements, Variance Accounts, etc.
- **Tracking:** Dynamic and ongoing tracking of customer load profile shifts would require new development.

- Administrative Processes: Customer determination, declarations, and rate reviews with tracking would be added to billing and customer audit procedures.
- Communications to customers: Added rate structures may be challenging to communicate based on complexity.
- Deferral and Variance: Consideration for DVA for implementation costs.
- Settlement Impacts: These new options for GA pricing will complicate RPP settlements, and likely result in additional settlements with the IESO and revenue variances between rate plans and global adjustment would need to be accounted for.

### **Implementation Timelines:**

Both options are challenging to implement at this stage of the OEB proposal and require a reasonable amount of time to plan, test and implement to ensure the highest standard of customer billing accuracy. The OEB should consider the conflicting priorities for billing and metering system changes scheduled throughout this year, and 2025.

Distributors are currently resource constrained planning for multiple other billing programs that draw on the same systems and resources such as low load factor rate, net metering synchronization with the MDM/R and changes to all current billing of HOEP for Market Renewal Replacement Program (MRP) scheduled to go live in May 2025. While MRP is not directly related to this project, it will affect all billing of HOEP and will require scrutiny of settlement outcomes, which is not the ideal time to be introducing new pricing options that impact shifts from RPP and Non-RPP settlements. To better understand MRP's impact on this rate segment structure, the OEB should consider delaying this launch until MRP stabilizes, perhaps Q4 of 2025.

Changes in the Accounting Guide, applicable Codes (including frequency of allowed opt-ins and outs) and bill display requirements will need to be communicated to distributors far in advance of expected implementation. LDCs will require time to upgrade and test their CIS, Customer Portals, Bill Prints, and MV90/Settlement provider's systems (and potentially other systems).

We recommend that this be done 9 to 12 months in advance, with the opportunity to review and provide comments. Like the Ultra-Low RPP rate plan rolled out to residential customers, and given the success of its roll out across the province to provide them with more optionality and control of their billing, it would also be appreciated to have provide distributors with a window of time for them to become compliant. The period range of a six-month window was greatly appreciated and recognized the nuances and differences of our many distribution businesses across the province.

### **Conclusion**

While we are very much supportive of this work to provide dynamic pricing to Non-RPP Class B segment, we strongly request that given the issues identified above, and regardless of the

chosen path, the OEB gives considerations for LDC implementation and customer impacts. LDCs and their customers will benefit from an appropriate lead time, clear communication materials, and thorough bill testing. Building these items into a workplan will create less burden and confusion in the implementation process. We hope that the OEB leans into the successes of the recent Ultra-Low RPP Pricing rollout and incorporates a 9-month lead time for distributors to properly prepare.

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](mailto:bashby@eda-on.ca) or at 416.886.4420.

Sincerely,

A handwritten signature in black ink, appearing to read "Teresa Sarkesian". The signature is fluid and cursive, with a long horizontal stroke at the end.

Teresa Sarkesian  
President & CEO