



BY EMAIL and RESS

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October 10, 2024
Our File: EB20220079

Attn: Nancy Marconi, Registrar

Dear Ms. Marconi:

Re: EB-2022-0079 Non-RPP Class B Dynamic Pricing Options

We are counsel to the School Energy Coalition ("SEC"). Below are SEC's comments on the Ontario Energy Board's ("OEB" or "Board") proposal to introduce an optional alternative to the current Global Adjustment ("GA") pricing for Class B consumers that are not eligible for the Regulated Price Plan ("RPP").

SEC represents Ontario's public-school boards and, as most schools are non-RPP Class B customers, the OEB's proposal could offer an alternative to current GA pricing, which would present opportunities to reduce electricity costs. However, this proposal could also result in negative bill impacts, as other customers in the group pay less based on their load profiles or because they have the ability to change their consumption patterns, while schools and other customers may not be able to do so.

General Comments

The OEB's proposal builds on work that has been ongoing since 2015, when the *Report of the Board: Regulated Price Plan Roadmap*¹ identified the misalignment of the GA recovery. Specifically, the GA dollars to be collected from Class B customers are allocated based on peak demand, yet recovered from non-RPP Class B customers based on a separate flat volumetric charge that varies monthly.

In the Board's *Staff Research Paper: Examination of Alternative Price Designs for the Recovery of Global Adjustment Costs from Class B Customers in Ontario*² ("Research Paper") issued in 2019, OEB staff concluded that a GA price that is directly correlated to total Ontario electricity demand would best serve non-RPP Class B customers.

¹ EB-2014-0319, November 16, 2015

² EB-2016-0201, April 18, 2019

In March of 2023, the OEB requested expressions of interest from distributors in implementing non-RPP Class B pilots designed to test alternative GA price models. However no successful applications were received.

The OEB's next step in advancing changes to the GA pricing for non-RPP Class B consumers is this current proposal. Under the proposal, these customers have two new options, a) GA rates that vary based on time of use periods, and/or b) rates based on an hourly GA rate set 24 hours ahead.

SEC is generally supportive of the OEB's proposal to introduce optional alternatives for non-RPP Class B customers to pay for GA that better reflect actual cost causality. In its comments provided on the Research Paper, SEC stated "[u]ntil better information is included in the modeling, and an analysis of how different customer types within the non-RPP Class B category will respond to changes in how the GA is recovered from customers, it is very hard to estimate the impact of the varying pricing models, and more specifically for schools."³

In the absence of the planned pilot projects, unfortunately this is still the case. SEC does understand from information provided at the September 9, 2024, stakeholder meeting that the OEB is continuing to study the long-term⁴ implications of their proposed price plans in terms of the extent to which changes in behavior or possible technological solutions will result.⁵ This is important information that is still required in order to provide an informed opinion on how the proposed price plans will affect the schools SEC represents. In the response to Question 5 in the Q&As, the OEB states that it will be estimating aggregate load shifting based on price elasticities. As discussed below, the group of non-RPP Class B customers is a non-homogeneous group, so it would be important to estimate load shifting for various patterns of load consumption, not as a single aggregate group.

In the meantime, SEC provides the following comments based on the presentation provided at the stakeholder meeting.

Price Design

The OEB's two options, the Non-RPP Time-of-Use (TOU) and Real Time Price (RTP), were developed based on a GA price that is directly correlated to total Ontario electricity demand. Both options appear to better align the GA rate with periods of higher demand and costs imposed on the system. However, the RTP proposal more closely reflects costs, as it includes hourly, daily and seasonal variations. The Non-RPP TOU proposal offers a rate that is more predictable but less reflective of differences across hours and seasons. The Non-RPP TOU rates and periods could be modified to reflect seasonality differences, making it more reflective of costs. For example, the Non-RPP TOU prices could be set at a cadence (e.g. four times per year), that reflect the seasons.

The OEB has suggested that it may offer one or both options. SEC questions whether offering both would just create additional implementation work for distributors while not providing any meaningful additional benefit. While the RTP model is more cost reflective, the Non-RPP TOU proposal provides customers with certainty over the times when the GA rate will be at its highest, allowing for

³ SEC Comments: EB-2016-0201 – Non-RPP Class B Global Adjustment Recovery, April 18, 2019

⁴ OEB staff indicated that the long term was 30 years. Bill impacts etc., were provided for the short term (2-5 years), during which participants will not necessarily make investments in response to price signals.

⁵ Dynamic Pricing Options for Non-RPP Class B Electricity Consumers (Non-RPP Class B Pricing) - Summary Q&A, September 24, 2024 (Q&As), question #5

preplanning. SEC suggests that as part of its ongoing research, the OEB try to understand better which is the preferred option from both a distributor and a customer viewpoint, and which is more successful in maximizing the benefit to the system.

Implementation

In implementing one of the options for an alternative pricing plan for non-RPP Class B customers, the OEB needs to be cognizant of the non-homogeneity of this group of customers. Non-RPP Class B customers include medium to large retail, office buildings, schools, hospitals and small manufacturers. These are diverse entities with differing load profiles and a varying ability to shift demand or hours of operation. For the most part, except for manufacturers, these customers are not able to shift load without the benefit of significant investment in technology, such as energy storage. Determining the extent of available flexibility with respect to load shifting within the customer group should be part of the ongoing OEB research.

When the OEB implements its proposal, a non-RPP Class B customer will have a number of decisions to make. First, should it opt for the alternative option or stay with the status quo, and if there are two alternative options, which one is more beneficial? In order to make this decision, customers would need assistance from their utility in providing access to historical annual hourly consumption, and from the OEB or Independent Electricity System Operator ("IESO"), by providing the hypothetical hourly GA price that would have been set 24 hours in advance and the fixed GA price by each period for the year corresponding to the historical data.

Second, the customer needs to be able to determine if it is worthwhile investing in making changes to its load profile, either with behavior or with technology, to take further advantage of the new pricing. To make this second decision, they will require a business case to be completed and a degree of certainty in the future structure of the GA pricing.

Bill Impacts

One of the objectives of the Non-RPP Class B Pricing Initiative is to avoid significant impacts in the short-term for non-RPP Class consumers that do not choose an alternative plan.⁶ The OEB calculates that one third of the group would see savings on their energy bill, while the two thirds remaining on the current GA rate would see an increase of 0.3%.⁷ This is based on current consumption patterns.

What has not been determined is the impact on customers remaining on the current GA rate once customers on the new rate have invested in changing consumption to take advantage of the favourable pricing. Customers who, by the very nature of their business, are not able to change their consumption, may face greater increased costs as they are allocated a greater proportion of the GA costs. The magnitude of this impact needs to be part of the OEB's continued research.

Related to this is the likelihood that the bill impacts may not be a zero-sum calculation, if the alternative options result in changes in consumption and/or consumption patterns, that should result in reduced overall costs. Appropriate allocation of those cost savings could allow the savings from

⁶ Non-RPP Class B Dynamic Pricing Options presentation, September 9, 2024, Slide 5

⁷ *Ibid*, Slide 18

the alternatives to effectively be funded by the savings they generate. This is another area in which further research by the OEB and IESO would be invaluable.

Sector Changes and Consultations

SEC's comments on the Research Paper also stated that "there are a number of interrelated consultations and program changes that are either announced or on-going, some of which may impact the ability of non-RPP Class B customers' ability to respond to different pricing models. These other influences will need to be incorporated in any modelling."⁸ This continues to be true. For example, the introduction of the Day-Ahead Market Ontario Zonal Price and the Load Forecast Deviation Charge, under the anticipated implementation of the IESO's Market Renewal Program⁹ in May of 2025 and initiatives related to the Energy Transition, could affect how customers respond to certain price signals.

Summary

SEC supports the OEB's proposal to introduce an optional alternative for GA pricing for non-RPP Class B customers, and encourages the OEB to expedite its work on what the potential impacts would be in the long-term. Customers will be more likely to participate in adopting an alternative model, if they have a better understanding of what the impact will be on their specific electricity bills, and what the end state will look like.

Yours very truly,
Shepherd Rubenstein Professional Corporation



Jay Shepherd

cc: Brian McKay, SEC (by email)
Interested parties (by email)

⁸ SEC Comments: EB-2016-0201 – Non-RPP Class B Global Adjustment Recovery, April 18, 2019

⁹ In the Q&As #14, OEB staff does state that there may be a change in the magnitude of the GA as a result of the Market Renewal Program, however it is expected to be relatively small.