

BY EMAIL AND RESS

October 10, 2024

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

Dear Ms. Marconi,

EB-2022-0079 – Dynamic Pricing Options for Non-RPP Class B Electricity Consumers – Alternative Price Plans for Non-RPP Class B Consumers**OVERVIEW**

In his July 29, 2022, Letter to the Ontario Energy Board (“OEB”), the Minister of Energy expressed his support for the plan to work with the Independent Electricity System Operator to design and implement the pilots *“to assess the potential benefits of dynamic pricing and how it can help businesses to better manage their energy costs and reduce system costs”*. Since then, the OEB has collaborated with stakeholders to initially design and implement a dynamic electricity pricing pilot, but more recently, pivoted to a consultation-based approach to further this initiative.

On September 9, 2024, the OEB invited stakeholders to a meeting to seek input on alternative opt-in price plans for Class B consumers that are not eligible for Regulated Price Plan (RPP) prices. The OEB invited stakeholders to provide written feedback on the proposal by October 10, 2024. Hydro One is supportive of this initiative and is pleased to provide the following written comments for your consideration.

SUMMARY OF KEY FEEDBACK

Hydro One is supportive of this initiative as a majority of the non-RPP Class B segment has not been afforded the same opportunities to manage their bills or receive financial relief programs as other classes of customers. Additionally, this segment has been significantly disadvantaged through the transfer of Global Adjustment (GA) costs from the Class A customers. These proposed pricing options are a step in the right direction.

Hydro One’s key recommendations for consideration, discussed in further detail below, are as follows:

- A heightened financial incentive beyond that proposed in the alternative pricing options will encourage larger adoption of behavioural changes and successful implementation of the pricing options.
- Robust comparison tools and enhanced education on the proposed pricing options will be key in supporting the customers in this segment in order to make informed decisions and aid in opting for the most suitable price plan for them.

- Customer uptake of these alternative pricing options will drive implementation feasibility and cost-effectiveness.

Hydro One also offers more detailed commentary in response to the Discussion Questions posed by OEB staff, captured below.

COMMENTS IN RESPONSE TO THE DISCUSSION QUESTIONS POSED BY OEB

Price Design Feedback

1. *How effectively do the proposed alternative rate design options address the identified problem (i.e., GA costs on bills are not reflective of demand)?*

Hydro One is supportive of providing greater pricing options to the non-RPP Class B customer group. These options will provide some relief to these customers by better managing their energy costs and is a step in the right direction.

2. *What additional factors or information should the OEB take into account as we develop our Price Design Report to the government?*

Hydro One recommends that the OEB consider the following key factor in the development of their proposing pricing options:

- Seasonality may significantly impact alternative pricing options for consumers that are unable to match their operational load profile to the price fluctuations. The OEB should consider this impact from both a customer uptake perspective, for example, if their ability to sustain an agreeable load profile relative to the price fluctuations falters, and from an implementation perspective, in terms of their ability to opt in or out frequently and any associated variance true ups.

Hydro One submits that a greater financial incentive will be required to encourage larger adoption of behavioural changes for this customer segment, beyond the implementation of these proposed pricing options.

3. *Are there any other alternative rate design options that the OEB should explore?*

Hydro One does not have comments on other alternative rate design options at this time.

4. *What information or tools would non-RPP Class B consumers require to choose the most suitable price plan?*

Hydro One recommends that the OEB 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 (i.e. Hourly Ontario Energy Price (HOEP), Regulated Price Plan (RPP) Time of Use (TOU), and RPP Two-Tiered prices).
- 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 IESO on price fluctuations (including forecasts) to reduce customer confusion.

5. *What are the unique challenges and opportunities presented by offering Customer Choice to non-RPP Class B customers?*

Hydro One submits that it foresees customer uptake to be a major challenge in offering these alternative pricing options. The prospective cost of power savings through the proposed pricing options are marginal and may not be sufficient in incentivizing consumers in this segment to modify business operations or invest in DER solutions.

There is also an increased risk for the consumers who opt in and are subsequently unable to sustain operational alignment to the significant price fluctuations within each alternative. This impact would be exacerbated if there is an infrequent ability to opt out.

Given the close margins and potential for significantly higher GA costs during on-peak hours, consumers will require strong guidance in their decision-making process with support from robust comparative tools. Distributors will be increasingly required to provide support in this regard, as is done with the broader customer segment, in terms of pricing options and incentive programs.

Implementation Considerations and Feasibility

1. *How do you define a feasible implementation from your perspective?*

Hydro One submits that the implementation costs associated with system & settlement changes, billing display changes, as well as customer education & 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.

Hydro One recommends that the implementation date for the alternative pricing options be set closer to the end of 2025, following the implementation of the IESO Market Renewal Program (May 2025), to better manage competing resources.

Changes in 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. Hydro One recommends that this be done 9 to 12 months in advance, with the opportunity to review and provide comments.

2. *Is there a price plan that appears more challenging to implement at this stage? If so, which one and why?*

Hydro One is supportive of both proposed pricing options, and of providing multiple options to the Class B customer segment.

Hydro One submits that the two proposed pricing options are equally challenging to implement. There may be synergies achieved from a system and resource perspective that would make it more advantageous to implement both options at the same time.

3. *Are there concerns or implementation issues in relation to making these price plans available to all non-RPP Class B consumers?*

Hydro One requests that the OEB provide clear guidelines on eligibility for these proposed pricing options. For example, if a customer is Class A-eligible, but chooses to remain on Class B, will they have these 2 additional Class B non-RPP pricing options available? It is also unclear whether large users that are RPP-eligible (Farm or Bulk Residential) that currently have Two-Tier, TOU, Ultra-Low Overnight (ULO), and HOEP + GA pricing options will also be open to these two additional pricing options if they remain on HOEP.

Hydro One assumes that RPP-eligible customers paying GA due to retailer contract are not eligible. Hydro One suggests, for example, that the Energy Only and Residential Rate classes (that utilize the Meter Data Management/Repository) should be ineligible for these proposed pricing options, as they have Two Tier, TOU, and ULO pricing options, and subsidies available.

CONCLUSION

Hydro One thanks the OEB for the opportunity to provide the above comments. Hydro One would welcome the opportunity to engage with OEB staff at any time to contribute to the advancement of this important initiative.

Sincerely,

A handwritten signature in black ink, appearing to read "Kaleb Ruch", with a long horizontal line extending from the end of the signature.

Kaleb Ruch
Director, Regulatory Policy & Strategy
Hydro One Networks Inc.