



By RESS

October 10, 2024

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

Dear Ms. Marconi:

**Subject: Dynamic Pricing Options for Non-RPP Class B Electricity Consumers - OEB
File No. EB-2022-0079**

Hydro Ottawa Limited ("Hydro Ottawa") appreciates the opportunity to submit feedback on the Ontario Energy Board's ("OEB") initiative to provide alternative opt-in price plans for Class B consumers that are not eligible for Regulated Price Plan prices.

Please see Appendix A attached, which provides responses to questions posed by OEB staff in its September 9, 2024 stakeholder meeting.

Hydro Ottawa appreciates this opportunity to provide comments and looks forward to continued dialogue with the OEB on this important initiative.

Sincerely,

Signed by:

April Barrie

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APPENDIX A

Price Design Feedback:

1. What are stakeholder's initial thoughts upon hearing about these price plans?

Hydro Ottawa is generally supportive of providing rate optionality to non-RPP Class B customers, which would promote demand management, incentivize electrification, and ultimately allow customers the opportunity to reduce electricity costs.

It is initially unclear from the OEB's distributed materials whether the proposed rate structures would achieve these objectives for non-RPP Class B consumers. The proposed rates notionally will reduce billing costs for some consumers and raise them for others. However, additional costs will be imposed on the industry and savings will be determined by participation.

A key concern is the lack of a clear cost-benefit analysis for the proposed rate options. While there will undoubtedly be costs associated with implementation and administration for Local Distribution Companies ("LDCs") and potentially the IESO, it is not clear if those costs will be offset by the anticipated customers who will opt into the rate plan.

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

Hydro Ottawa has not completed a separate analysis. However, it is Hydro Ottawa's experience that in residential and small commercial rate classes, the default option is often maintained.

It is not clear if the OEB has contemplated customers that may be using distributed energy resources to net the cost of GA, and if this will be allowed.

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

The OEB's proposed rate structures will result in a net increase in costs for Ontario's electricity customers. Based on the 2019 report, these costs would be offset by reduction in future infrastructure costs, however this is dependent on customer participation and resulting behavioural changes. Hydro Ottawa's understanding from the OEB's materials is that the alternative rates are revenue neutral for the GA; meaning that some non-RPP Class B consumers will realize bill savings while others will see their bills increase. In contrast, the administration, marketing, customer care, and billing costs associated with the new rate structure will be offset by potential deferral or elimination of infrastructure costs. It is unclear whether the net benefit to the market would offset any cost resulting from the proposed rates. Those costs would ultimately be borne by ratepayers.

As a result, marketing the rates will also be important to promote adoption of the rates. In a scenario where the adoption of the non-RPP Class B rates is low, the increased costs for a program may not be offset. It will be important that tools are developed to assist unsophisticated non-RPP Class B customers in making rate decisions. Hydro Ottawa suggests that the OEB provide direction and materials (similar to how it was previously done for RPP rate options) to LDCs to market the rate structure uniformly across Ontario. The electricity market can be complex, and where a lack of information exists, consumers may be slow to adopt new rates with unclear benefits or risks.

The OEB must consider these factors when making recommendations to the Ministry.

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

Hydro Ottawa does not have another proposed rate design for the OEB to explore. It does reiterate that it supports rate optionality for non-RPP Class B customers in a manner that promotes reduced electricity costs, demand management, and electrification that is comparable to those provided to other rate classes while weighing the cost of administering.

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

The complexity of understanding how a Class B customer's electricity bills would be affected by the proposed alternative rates may be a hurdle to adoption. Customers may need assistance in calculating their options.

This group of customers tends to need support, similar to the residential and small commercial classes, and would benefit from similar tools available to those customers.

Option 2, Real-Time Price (RTP), is particularly complex and in comparison to Class A appears to require more constant monitoring and risk to participating customers. Class A customers can choose to opt out of the next Class A base period should they inadvertently consume energy during high peak periods. Under Option 2, it appears customers will have immediate consequences with no future ability to try and mitigate.

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

Marketing alternative rate structures and educating customers will be an ongoing challenge for the industry. The non-RPP Class B customer group is a diverse group with differing load profiles and business needs. Many Class B customers do not have the resources to calculate differing rate options in this regard.

Implementation Considerations and Feasibility:

1. Do you foresee any implementation challenges associated with one or both of these price plans?

Both of these price plans have the potential to encompass significant implementation challenges. Key challenges include:

- **Billing System Updates:** Current billing systems are not equipped to handle the complexity of these pricing models. In particular, Option 2 would require significant upgrades to calculate bills based on varying hourly rates.
- **Data Management for TOU:** TOU pricing requires a system to track and categorize customer usage into different periods (e.g., on-peak, mid-peak, and off-peak). It's unclear if the current Meter Data Management/Repository ("MDM/R") would be utilized for this purpose. As it stands now, the MDM/R is not set up to process Class B meter data.
- **Real-Time Pricing Communication:** A day-ahead Real-Time Pricing communication mechanism does not currently exist and would need to be created for LDCs to be able to bill using this option. This would result in the need for a more significant lead time.

At this point, more information would be required to fully grasp the extent of these challenges. However, it is clear that significant investment and planning would be needed to address these infrastructure limitations.

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

A feasible implementation would ideally be cost-effective and efficient, minimizing the need for extensive resources and a dedicated project team. For example, the implementation of the RPP ULO price took over one year to implement and incurred significant costs.

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

At this stage, it is difficult to fully grasp the complexity and scope of implementing either pricing plan.

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

Hydro Ottawa supports offering rate optionality to all non-RPP Class B consumers, however, the ability of customers to participate and the cost to implement should be considered when adopting a new rate design. A rate design that is easy for the majority of customers to understand should be a key consideration.