

Minister's Speaking Notes
Amendment to Facilitate Time of Use Pricing Pilots
Cabinet December 14, 2016

- I'm pleased to have the opportunity to speak to this item, as it will enable an initiative that is very exciting to me as Minister of Energy.
- When I gave a speech at the Empire Club of Canada a few weeks ago, I spoke about how our regulator and our utilities should work together to enable alternative pricing plans for customers of various circumstances.
- Right now, whether you are a retired couple living in Northern Ontario, or a young professional in a Toronto condo, you pay for electricity the same way, regardless of your different needs.
- So while consumers can opt for different telephone, cable, and internet services tailored to their personal circumstances and preferences – they remain on the same retail price plan for home electricity consumption.
- The amendment being proposed today would allow the Ontario Energy Board to pilot different electricity time-of-use pricing structures that would inform future decisions about offering more choice to all Ontario consumers.
- **This is an important first step towards a future where all Ontarians have a choice in how they pay for their electricity.**
- And not only will giving consumers more choice help give them greater control over their electricity use and reduce their costs, it will also maximize the investment Ontario has made in smart-meters, allow our electricity system to operate more efficiently, help us avoid costly infrastructure investments in the future, and help us keep costs down over the long run.

- Since April 2005, the Ontario Energy Board has administered an electricity price plan that provides stable and predictable electricity pricing and encourages conservation.
- This pricing plan is known as the Regulated Price Plan or RPP. About 4.9 million residential and low-volume business consumers in Ontario are eligible for the RPP.
- Today, almost all RPP-eligible consumers have smart meters and over 96 per cent pay their electricity bills based on the time-of-use pricing structure set out in the RPP.
- The regulation that we are proposing to amend currently requires that time-of-use prices under the RPP have an off-peak period that begins no later than 7pm and ends no earlier than 7am on weekdays and all day on weekends and holidays.
- There are currently no exceptions permitted to this requirement - even for pilot programs.
- The proposed regulatory amendment would allow for pilots with alternative pricing options that bill customers with an off-peak period that differs from that currently specified in regulation.
- The pilots will test different approaches to pricing structures to inform decisions about how to give consumers additional incentives and opportunities to better manage their electricity bills.
- The Ontario Energy Board has received pilot applications from electricity distributors that are representative of Ontario's diversity - including pilots targeted at customers in the winter peaking northern region of the province and the summer peaking southern region of the province.
- In addition to ensuring geographical diversity, the Ontario Energy Board encouraged electricity distributors to include as part of their proposed pilot programs, samples of low-income customers and high usage customers.

- The pilots are expected to begin operating in the field no later than May 2017 and to be completed no later than December 2018.

COSTS

- I understand that the issue of costs was raised by some of my colleagues at yesterday's LRC meeting, and I appreciate the opportunity to respond.
- The OEB has indicated that the pilot programs are expected to cost **up to \$30 million**, which would be funded out of an existing Independent Electricity System fund for conservation initiatives.
- These costs represent investments into upgrading infrastructure and equipment (such as billing systems) that LDCs need in place to be able to bill customers under the piloted pricing plans, as well as customer recruitment and communications efforts to ensure the pilots are successful.
- The billing and customer information system changes are needed to give electricity distributors the ability to bill customers based on the new pricing structures.
- **These are critical investments that need to be made in order to achieve our vision of offering all customers choice in their electricity price plan in the future.**
- **The funds will also be subject to strict oversight by the OEB.**
- As the independent regulator of the electricity system, the OEB has a mandate to protect consumers. It is uniquely qualified to ensure that **only costs deemed necessary for distributors to efficiently run these pilots are passed on to ratepayers.**
- Even if the pilots were to reach the full cost of \$30 million, the impact for a typical residential household would be \$2 for one year, **or a bit less than 17 cents a month.**

- **We feel this is a prudent investment in ensuring we can move forward to a future where all Ontarians can choose how they are billed for the power they consume.**
- These pilots are a necessary first step on the path to that future of choice and efficiency for Ontarians.
- We are happy to answer any questions you might have.