Question/Answer
Electricity Price Mitigation

Is it possible to cap the rebate for residential consumers within the Regulated Price Plan?

"Capping" refers to limiting the calculation of the 8% rebate to the amount of fixed and volumetric charges calculated using only the first 3,000 kWh per month of consumption. Charges related to consumption over 3,000kWh would not receive the 8% rebate.

Implementing a cap on residential consumers only is likely technically possible, however the Ministry would need to consult with local distribution companies to confirm. Adding such complexity to program delivery would increase the cost of upgrades to LDC billing systems, costs that are ultimately passed on to consumers through distribution rates. The inclusion of a cap would also require additional communication with all customers that would be reflected on electricity bills which already are required to convey a significant amount of information. LDCs could expect to experience communication challenges with consumers confused about the limitations on their rebate.

In addition, placing a cap on residential consumers only may present a significant issue for local distribution companies as they may have limitations in their ability to clearly distinguish or identify residential consumers from within rate classes for billing purposes. LDCs would need to incur additional administration costs to address these limitations.

The 3,000 kWh per month cap for the OCEB program created an inequity amongst some multi-unit residential complexes with respect to common area electricity consumption. For buildings that were suite metered by LDCs, their common area meter was limited to 3,000 kWh per month.

Conversely, bulk or unit sub-metered buildings, were required to submit self-declaration forms to their LDC identifying the number of units in the building, creating a building cap (3,000 kWh * # units). Since average consumption for residential units is much less than the cap, a significant residual amount of cap space was available to offset common area electricity consumption.

For example, a 100 unit building with average unit consumption of 1,000 kWh per month, had 200,000 kWh per month (3,000 – 1,000) * 100) to devote to the common area consumption.

What is the potential impact of capping residential consumers within the Regulated Price Plan?

If residential consumers were capped within the RPP, it is expected that the main impact would be that customers who rely on electricity for heating (one of the subgroups of residential consumers most affected by rising electricity costs) would not receive the full 8% rebate. The exact fiscal impact of not capping residential customers is unknown as the Ministry of Energy does not have data on the number of residential consumers who exceed 3,000kWh.

If a 3,000kWh cap was placed on residential consumers, potential savings may be minimal given that a typical residential customer consumes 750 kWh per month on average.

Given that the benefit is believed to be small, the potential administrative complexity and the potential for an impact on some that heat electrically, ministry staff believe that a cap on residential consumers is not warranted.

Is it possible to target proceeds recycling to Class A consumers that existed prior to the pending expansion of the Industrial Conservation Initiative (ICI)?

Yes, it is likely possible to target proceeds recycling to consumers within a rate class, including the Class A consumers that existed prior to expansion of ICI.

Currently there are about 300 Class A consumers –70 are billed directly by IESO and the remainder are billed by LDCs. In order to target proceeds recycling for these 300 consumers, IESO and LDCs would need to distinguish consumers from within rate classes for billing purposes and bill them accordingly.

The Ministry has identified the following key considerations with respect to targeting proceeds recycling to existing Class A consumers:

1. IESO and LDCs currently do not track consumers within Class A. Consequently, this would represent a new administrative/billing process which would add to the administrative complexities associated with IESO/LDC billing practices. Further consultation with LDCs/IESO would be needed to better understand the potential administrative complexities/issues related to pursuing targeted recycling.

2. The primary goal of proceeds recycling is to incent consumers to continue to use electricity or fuel switch to electricity, over more greenhouse gas (GHG) emissions intensive fuels. Targeting recycling to specific consumers segments may call into question whether the goal of proceeds recycling is emissions reduction or strictly rate mitigation for specific consumers. Put another way, it could be difficult to justify recycling to some Class A consumers but not others, if the purpose of the recycling is to incent fuel switching and greenhouse gas reductions for all consumers.

Given the considerations outlined above, the Ministry would advise against the pursuit of targeted proceeds recycling.