Ontario

MINISTRY OF
ENERGY

Encouraging Greater Customer Choice

January 19, 2017, Version v2.1

CONFIDENTIAL DRAFT

Background

Current Context – Increasing Energy Choice (cont'd)

[redacted]

- As a part of these commitments, and in recognition of the challenges ratepayers face, the Premier of Ontario and the Ministry of Energy have identified energy rate mitigation as a priority, and increasing customer choice as one strategy to help ratepayers manage their energy costs.

[redacted]

Proposed LTEP Initiatives

IESO-N-0026626

Summary of Proposed LTEP Initiatives

Initiative

1. Providing greater electricity rate choice to consumers
   a. Regulated Price Plan (Residential and Small Business Customers)

[redacted]

1. a) Regulated Price Plan (RPP) – Residential and Small Business Customers

Recommendation:

- **Direction**: Direct the OEB to report back with an investigation and implementation plan for an enhanced RPP Roadmap which investigates a wider array of pricing plans, including exploring a potential role for retailers to deliver pricing programs.
  - OEB to also explore the use of a flat or tiered rate that could be offered on an interim basis while the RPP pilots are underway and results are analyzed.

Considerations:

- OEB sets the price for electricity commodity (i.e., HOEP and GA) for all consumers with demand of 50 kW or less and use less than 250,000 kWh/year. Residential consumers and small businesses can pay the prices established through the OEB's Regulated Price Plan (RPP) or can opt to sign up with an electricity retailer.
- Consumers with a retail contract pay an agreed upon rate for HOEP, and continue to pay GA.
- Consumers are also able to opt-out of RPP and retail contracts, instead pay HOEP and GA. Very few customers are aware of this option.

When	How much electricity you use	Price (¢ per kWh)
Residential (effective November 1, 2016)		
Summer (May 1 - Oct 31)	Up to 600 kWh	--
	More than 600 kWh	--
Winter (Nov 1 - Apr 30)	Up to 1,000 kWh	10.3
	More than 1,000 kWh	12.1
Non-residential (effective November 1, 2016)		
All seasons	Up to 750 kWh	10.3
	More than 750 kWh	12.1

Current Tiered Pricing rates for RPP customers. The OEB could explore alternate tiered rates or expanded participation in the current tiered rate structure on an interim basis. About 1 in 10 Ontario electricity customers are still billed according to tiered prices. Consumers on this plan can use a certain amount of energy each month at a lower price. When they pass that level, their rate goes up for all additional electricity. Tiers are different for home and business customers.

1. a) Regulated Price Plan (RPP) – Residential and Small Business Customers (cont'd)

Considerations (cont'd):

- Research commissioned by the OEB indicated that different customers likely need different pricing design choices in order to respond to TOU.
- OEB has proposed an interim opt-in RPP flat pricing plan that could be in place as the OEB completes its RPP review and prior to the implementation of new pricing plans.
- **Cost impact:** Customers that chose to opt-in to new programs would do so because of the potential benefit (e.g., a flat or tiered rate would benefit any customer with peak and mid-peak use that is higher than average). There is the risk of short-term under recovery of costs in RPP as consumers would likely only change pricing plans if there was a financial benefit. Rate design that shifts the risk away from the OEB could be considered (e.g., OEB could consider the role of retailers to deliver pricing programs).
  - Energy recommends consideration of a tiered rate based on electricity consumption as a opposed to the interim flat rate to maintain the conservation signal to customers and align with the government's Conservation First principle (see figure on previous slide).
- **Electricity literacy:** Survey conducted by the OEB suggests that the majority of small and medium businesses have taken no action to shift consumption from high to low peak times. OEB recognizes the benefits of improved energy literacy as part of its RPP Roadmap and has included non-price elements in the upcoming RPP Pilots.