



# Regulated Price Plan Proposal

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**Workshop and Consultation  
December 14, 2004**

# Context for the Proposal

- *Ontario Energy Board Amendment Act, 2003 and Bill 100*: authority for the Board to set an annual price plan for eligible consumers
- *Government Policy*: stable, predictable prices that reflect the true cost of electricity and support conservation, load shifting and “smart metering”
- *Working Group*: stakeholder representatives that considered the objectives of the RPP and the elements and tools required to meet those objectives; reported to Board staff.
- *Board Proposal*: considered Working Group recommendations and other issues

# Out-of-Scope Issues/ Information Constraints

- *Some issues await Government decisions:* eligible consumers, OPG's designated asset prices, new supply contract terms
- *Elements of the RPP depend on these inputs:* supply costs, thresholds, triggers, prices
- *Other issues are outside the mandate of this project:* electricity bill design and content
- *Focus of current proposal:* on “how” (methodology) and not “what” (prices, tiers, TOU structures). The “what” requires additional information not available at this time

# Issues Considered

- Cost Determination and Recovery
- Price Setting Methodology
- Price Adjustments and Notification
- Variance Account Monitoring
- Consumer Mobility
- Conventional Meter Pricing Plan
- Smart Meter Pricing Plan

# Cost Determination and Recovery

- “*Supply Cost*” concept: total direct cost to supply RPP consumers derived from prices for specific supply sources (NUGs, OPG designated, etc.) and “expected” quantities (kWhs) delivered
- “Hybrid Market” (contract- and market-priced) supply incorporated into the supply cost; market prices require a forecast based on supply, demand, fuel cost assumptions and market participant behaviour
- Cost recovery over a 12-month period; variance account to accumulate revenue surpluses and shortfalls

# Price Setting Methodology

- Prices set to collect revenues to match supply costs
- Expected value of the OPA variance account is zero
- Flexibility in price setting to support policy objectives of conservation, load shifting and smart metering
- Prices will replicate market pricing but without the volatility of “spot price pass through”
- OPA is a “passive” supplier – does not bid load into the market, does not actively acquire a supply portfolio

# Price Adjustments

- Variance “true ups” and rebasing will occur at the same time in an integrated price adjustment process
- By legislation, initial RPP is in place without adjustments for the first 12 months
- In subsequent years, integrated price adjustments at 6-month intervals
- No pre-determined cap on price adjustments
- Based on variance account monitoring, Board will establish:
  - a threshold for 6-month price adjustments; and,
  - a trigger for true-ups between 6-month price adjustments
- Variance account cleared over a 12-month period

# Notification

- LDCs to get a minimum of 15 days notice before a “minor” – non-structural – price change takes effect
- LDCs to get a minimum of 75 days notice before a “major” – structural – change takes effect
- RPP consumers notified of changes at least 15 days in advance through electronic and other media, including the OEB website
- LDCs will communicate to consumers through bill messages and inserts immediately on notification from the Board of a price change



# Variance Account Monitoring

- Board will monitor the OPA variance account regularly, most likely monthly
- Comparisons between a *forecasted* variance account balance and the *actual* balance will indicate the need for a price change or true up
- Board will establish criteria (dollar amounts, percentage of supply cost or bill impacts) for variance account balance comparisons to signal the need for mid-year true ups or rebasing

# Consumer Mobility

- RPP consumers who leave for retail supply contracts will have to settle variance account
- Board will set “variance account settlement factors” to be multiplied by actual, or estimated, consumption to calculate settlement amounts
- Two settlement calculations required – within the current 12-month RPP and previous RPP
- LDCs, IESO and OPA will be required to establish accounting systems and protocols to make this settlement active – current system operates in similar fashion

# Conventional Meter Pricing Plan

- Two options:
  - *status quo* for all RPP consumers but with price changes; or,
  - seasonal tiers for residential RPP consumers, *status quo* with price changes for non-residential consumers
- Seasonal tiers would adjust the lower tier threshold up in the winter and down in the summer, striving for revenue neutrality
- Tier volume adjustments change the average price paid if tier prices remain the same
- Primary objective is cost recovery in both options

# Smart Meter Pricing Plan

- TOU prices that reflect forecasted supply costs
- Three daily prices – off-peak, mid-peak, peak – reflecting daily supply costs and load levels
- Two seasons – summer (May through October) and winter (November through April)
- Price levels remain the same all year
- Pricing periods are different for the seasons – summer has peak hours in afternoon, winter has peak hours in late-afternoon and early-evening
- Board to study critical peak pricing

# Next Steps

- Board to assess input from interested parties on the proposal
- Board to develop a draft code, either amendments to SSS Code and/or a new RPP Code
- Draft Code will be subject to usual consultation and comments – a “Notice and Comment” proceeding
- Board will develop an “RPP Manual” that specifies the methodology for price setting, adjustments, variance account monitoring and other operational elements of setting the RPP prices. RPP Manual will be posted for comment and input
- Consumer education