

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto ON M4P 1E4
Telephone: 416 481-1967
Facsimile: 416 440-7656

Commission de l'énergie de l'Ontario
C.P. 2319
2300, rue Yonge
27^e étage
Toronto ON M4P 1E4
Téléphone : 416 481-1967
Télécopieur : 416 440-7656



VIA E-MAIL (pdf@nmhydro.on.ca)

August 17, 2006

Mr. Paul Ferguson
President
Newmarket Hydro Ltd.
590 Steven Court
Newmarket, Ontario
L3Y 6Z2

Dear Mr. Ferguson:

Re: Newmarket Hydro Time-of-Use Pricing Pilot Project Proposal

On July 28, 2006, the Ontario Energy Board (the "Board") amended the Standard Supply Service Code (the "SSS Code") to allow certain electricity distributors, as part of a pilot project, to charge time-of-use ("TOU") prices for consumers on the Regulated Price Plan (the "RPP") with eligible time-of-use meters. This SSS Code amendment requires prior Board approval before any such new pilot project can be implemented.

On July 25, 2006, Newmarket Hydro submitted a proposal for approval to implement a pilot project involving TOU electricity prices and eligible TOU meters in anticipation of those SSS Code amendments being finalized.

The Board has completed its review of that proposal and decided to approve it for the following reasons:

- 1) Newmarket Hydro's existing billing system is already capable of charging TOU prices and will therefore not require incremental material costs to be incurred in order to proceed with the pilot. This is one of the considerations the Board noted that it would take into account in its review of a distributor pilot project proposal in its July 12, 2006 Notice.
- 2) It is complementary in nature to the Board's TOU pricing pilot project in that the pilot will involve the testing of RPP TOU prices and critical peak rebates in conjunction with load control devices (i.e., smart thermostats).

The Board's pilot project does not include this latter load control attribute. Such load control devices are more appropriately funded through the Board approved CDM budgets of distributors as per Newmarket Hydro's pilot proposal. The Board advised distributors in a recent letter regarding the above-noted SSS Code amendments that it will be primarily interested in additional TOU pricing pilot projects that are complementary in nature to other TOU commodity pricing pilots operating in Ontario.

- 3) The proposal contemplates a quantitative analysis of the results which will determine the degree of demand responsiveness of the customers in the various test cells, extrapolate the potential impact on Newmarket Hydro's peak demand if the pilot was extended to other customers, and estimate the elasticity of substitution.
- 4) A well qualified consultant – Navigant Consulting – with expert knowledge of RPP TOU prices has been retained to undertake the above noted analysis and to advise Newmarket Hydro on the design and implementation of the pilot project.
- 5) The proposal includes a commitment to share the results of the pilot project with the Board.
- 6) It is further proposed to allow the applicable customers to opt out of participating in the pilot project. This is consistent with the Board's guidance of voluntary participation included in the July 12th Notice of Proposal relating to TOU pricing pilot projects.
- 7) The proposal to include about 500 participants spread across four test cells (or approximately 125 per cell) is reasonable. This is consistent with the Board's pilot project.
- 8) The \$63,000 estimated cost of the pilot project is reasonable. The additional costs associated with the smart thermostats will continue to provide benefits well into the future after the pilot project is completed and therefore it is reasonable that they should not be considered part of the pilot in terms of costs. The funds for smart thermostats have also already been approved by the Board as part of Newmarket Hydro's CDM budget.
- 9) The challenges in supplying adequate electricity in York Region, which is partly served by Newmarket Hydro, have been recognized by the Board in a recent decision (EB-2005-0315). The proposed pilot project should therefore inform all of the relevant parties, including the Board and the Ontario Power Authority (OPA), of the potential for TOU pricing and critical peak rebates – with and without load control devices – to help

address the supply situation in northern York Region if implemented on a larger scale.

One element that the Board considers to be valuable in such a pilot project, but is not included in this particular proposal, is a survey(s) and/or focus group(s) to obtain participant feedback. However, the Board recognizes that not every pilot project can include every attribute that it considers to be useful due to budgetary limitations.

On balance the Board finds the project to be in the public interest and approves it.

If any material deviations are contemplated by Newmarket Hydro before implementation, from the approved proposal as submitted on July 25, 2006, the Board requires that you contact Chris Cincar at 416-440-7696 or chris.cincar@oeb.gov.on.ca.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Attachment: Newmarket Hydro TOU Pilot Project Proposal