Ontario Energy Board

Commission de l'Énergie de l'Ontario

Ontario

EB-2007-0086

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF a proposal by Hydro One Distribution Networks Inc. to implement a Time-of-Use Pricing Pilot Project under section 3.9.1 of the Standard Supply Service Code.

BEFORE: Pamela Nowina
Presiding Member and Vice Chair

Paul Vlahos
Member

DECISION

On July 28, 2006, the Ontario Energy Board (the "Board") amended the Standard Supply Service Code (the "SSS Code") to allow 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 after April 1, 2005 ("the first term commencement date").

On March 9, 2007, Hydro One Distribution Networks Inc. ("Hydro One") submitted a request for approval to implement a pilot project involving TOU electricity prices and eligible TOU meters in relation to approximately 500 residential, farm and small general service customers (the "proposed pilot project"). Since the proposed pilot project is being implemented after the first term commencement date, it requires Board approval. This matter has been assigned Board File No. EB-2007-0086.

The Board has proceeded without a hearing in this matter in accordance with section 1.3.3 of the SSS Code. The Board has completed its review of the proposed pilot project and has decided to approve it subject to certain conditions.

The Board identified several factors that the Board would take into account when deciding whether to approve a TOU pilot project. These factors were identified in the Board's Notice of Proposal to Amend a Code (July 12, 2006), the Board's Notice to Amend a Code (July 28, 2006), and the Board's letter of August 14, 2006 on this subject. The proposed pilot project is approved for the reasons set out below.

Since Hydro One will process the RPP TOU rate calculation for the pilot project participants separately and then feed that information back into its normal billing system for the issuance of bills, Hydro One will not need to make costly changes to its existing billing system in order to charge TOU prices. Therefore, Hydro One will not require incremental material costs to be incurred in order to proceed with the proposed pilot project.

The proposed pilot project is complementary in nature to the Board’s TOU pricing pilot project as well as the Board-approved TOU pricing pilot projects of Newmarket Hydro, Veridian Connections and Oakville Hydro. The proposed pilot project will involve the testing of RPP TOU prices within the context of farm and small general service customers. Since the other four pilot projects in Ontario currently involve testing TOU prices within the context of residential and large general service consumers, the proposed pilot project is complementary in nature to the other TOU commodity pricing projects operating in Ontario. The proposed pilot project is also complementary to the other Board-approved pilot projects because unlike the other pilot projects, the proposed pilot project will involve rural customers and it will test the use of real time in-home display monitors in conjunction with TOU prices.

The proposal contemplates that Professor Dean Mountain of McMaster University will be retained to provide guidance to Hydro One staff in relation to the pilot project, particularly in the areas of sample design, customer selection, and the methodology used by Hydro One staff for assessing the load impacts. The proposal also includes a commitment to share the results of the proposed pilot project with the Board. Lastly, Hydro One has stated that participating in the proposed pilot project will be voluntary for its customers.

The Board is of the view that there are a number of potential benefits associated with the proposed pilot project including the following:

- The proposed pilot project will assess the impact and effectiveness of real time in-home display monitors in helping customers on RPP TOU prices shift and/or reduce load. The real time in-home display monitors used in the pilot will be compatible with smart meters as well as RPP TOU prices. None of the other approved pilot projects involve in-home display monitors;

- About half of the pilot participants will not receive the in-home display monitors which will allow for a comparison between customers with the in-home display monitors and those without the in-home display monitors;

- The proposed pilot project will also assess the impact and effectiveness of smart thermostats in helping consumers remotely manage their air conditioning load in the summer months;

- Pilot project participants will be asked to fill out two questionnaires during the pilot (one at the beginning of the pilot project and the other at the end of the pilot project) to gather further information about appliance and equipment usage as well as actions taken to change the consumption patterns during the pilot project. This is intended to help better understand the reasons for potential changes in the hourly electricity consumption patterns;

- After the completion of the pilot, detailed load shape analysis will be undertaken by the Hydro One Load Research Team applying similar methodology used to derive load profiles in the cost allocation informational filings for EB-2005-0317. If deemed useful and assuming the results from other distributors' RPP TOU pilots are available, a province-wide RPP TOU impact analysis can be performed using the distributor-specific load profiles prepared recently for the cost allocation informational filings required by EB-2005-0317. If it is possible, such an analysis would extrapolate the results to the province as a whole for when smart meters are rolled out across the province. This would likely help inform future policy and planning decisions; and

- Since Hydro One's customers are mostly *rural* based, it will likely be useful to compare the results of this pilot project with other RPP TOU pilot projects which focus on *urban* consumers.

Hydro One stated that this pilot project will be funded entirely from Hydro One's third-tranche conservation and demand management ("CDM") funding.

Since there are numerous potential benefits associated with this proposed pilot project and no incremental costs beyond the funds already approved by the Board as part of Hydro One's third-tranche CDM funding, the Board finds that the proposed pilot project is in the public interest and approves it.

Hydro One shall comply with the following conditions:

1. Firstly, customers must be informed of their right to opt out of the proposed pilot project.

2. Secondly, Hydro One is required to consult Board staff before the analysis of the pilot project is carried out in order to ensure consistency with the analytical approach being used by the Board for the Ontario Smart Price Pilot project. Since certain costs will be incurred in order to implement the proposed pilot project, it is important that the benefits realized from the proposed pilot project be maximized. If Hydro One's proposed pilot project evaluation is not consistent with the analytical approach being used for the Board's pilot project, it would reduce the benefits of the proposed pilot project.

3. Thirdly, Hydro One's results from the proposed pilot project must be shared with the Board.

4. Lastly, if there are any material changes to the proposed pilot project, Hydro One must inform the Board of those material changes before such changes are to be implemented.

DATED at Toronto, March 27, 2007

Original signed by

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Pamela Nowina
Presiding Member and Vice Chair

Original signed by

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Paul Vlahos
Member