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OEB releases results of pilot project testing Time-of-Use pricing structures

Toronto – The Final Report of an Ontario Energy Board (the Board) pilot project released today shows that Time-of-Use (TOU) prices motivated the consumers who participated to shift some of their electricity use away from peak hours. The shift of consumption was largest for consumers who were on special pricing plans designed to shift usage on critical high demand days for power, such as very hot days in summer.

The pilot study was conducted with the support of Hydro Ottawa and was developed by two firms with extensive experience in TOU pricing pilots: IBM Canada and eMeter Strategic Consulting. Results show that the average reduction in electricity demand among the two-thirds of participants on critical pricing plans was more than 20% during high demand or critical peak hours in summer. Demand reduction on winter critical peak days was much lower for all participants.

The results also indicated that using smart meters with some form of TOU prices led to electricity conservation in most cases. Study participants reduced overall electricity consumption an average of 6.0% compared to a similar-sized group of Hydro Ottawa customers not paying TOU prices.

Over the course of the entire pilot period, on average, participants shifted consumption and paid 3.0% or \$1.44 less on monthly bills with the TOU pilot prices than they would have paid on the regular electricity prices charged by their utility. When that was combined with the impact of reducing their overall consumption, there was a total average monthly saving of over \$4.00.

About 75% of participants paid less on the TOU pricing (compared to their charges on the regulated price plan) due to shifting away from critical peak or on-peak periods. Combined with the overall reduction in electricity consumption, which the study called the “conservation effect”, about 90% of participants paid less on the TOU price plans offered as part of the pilot.

Surveys conducted with participants also showed 78% of participants would recommend Time-of-Use pricing to their friends. The top three reasons they cited were: the prices made them more aware of how to reduce their bills, gave them greater control of their costs and benefited the environment.

The Ontario Energy Board sets the commodity price that electricity utilities, such as Hydro Ottawa, charge consumers for the power they use. This includes TOU prices that utilities can choose to charge their regulated price customers who have smart meters that can measure the time of day when power is consumed.

The project, which ran from August 1, 2006 until February 28, 2007, was designed to help the Board learn more about how consumers, with smart meters, respond to different forms of TOU pricing in advance of the province's plan to provide smart meters to all homes and small businesses by the end of 2010.

Under a TOU structure, electricity prices vary depending on when power is used. TOU pricing structures are designed to work with smart meters to provide consumers with the incentive to control their costs and consumption during periods when electricity is most expensive. Shifting consumer usage away from high demand periods also helps to reduce Ontario's peak electricity demand.

The Board will use the results of the *Ontario Energy Board Smart Price Pilot* and information from other TOU pilots underway in the province to further fine tune its TOU price structure so that smart meters and TOU prices work together effectively to encourage consumers to control their costs and their consumption.

The Board's pilot is a first in North America to simultaneously look at changes in consumption behaviour in response to three separate pricing structures:

- The Board's standard TOU pricing (where commodity prices change in relation to periods called off-peak, mid-peak and on-peak);
- The standard TOU pricing with critical peak pricing (CPP), and;
- The standard TOU pricing with critical peak rebates (CPR).

Among the three test groups (approximately 125 people in each) of Hydro Ottawa consumer volunteers with smart meters installed at their homes:

- One group of participants (CPP) paid as much as 30 cents per kilowatt hour at critical peak times. That is about three times the price they would usually pay under the standard TOU on-peak price. The results from this group showed the greatest amount of shifting of electricity consumption.
- Another group of participants (CPR) benefited from a refund of 30 cents per kilowatt hour for reducing use during critical peak times.

The Final Report prepared by IBM and eMeter Strategic Consulting (including a Survey report and a Focus Group report) is posted on the Board's website at:

http://www.oeb.gov.on.ca/html/en/industryrelations/ongoingprojects_regulatedpriceplan_smartpricepilot.htm.

The Ontario Energy Board regulates the province's electricity and natural gas sectors in the public interest. It envisions a viable and efficient energy sector with informed consumers, and works towards this vision through regulatory processes that are effective, fair and transparent.

For more information on the Board, please visit our website at www.oeb.gov.on.ca or contact the Consumer Relations Centre at 416-314-2455 or toll-free at 1-877-632-2727.

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Note: a video B-Roll of various Hydro Ottawa shots including an electrician installing a smart meter is available upon request.

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