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## **NOTIFICATION OF REVISION**

### **REVISION TO THE REGULATED PRICE PLAN MANUAL**

**BOARD FILE NO.: EB-2007-0672**

**To: All Licensed Electricity Distributors  
All Licensed Electricity Retailers  
All Participants in Consultation Process EB-2007- 0672  
Independent Electricity System Operator  
All Other Interested Parties**

**RE: Notification of Revisions to Regulated Price Plan Manual  
Changes to Time-of-Use Periods and Allocation of Global Adjustment  
Costs For Time-of-Use Prices**

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The Ontario Energy Board (the “Board”) is today announcing changes to the Regulated Price Plan Manual (“Manual”). These changes simplify the time-of-use (“TOU”) time period structure to make it more straight-forward for consumers and to refine the allocation of the Global Adjustment costs to reinforce incentives for load shifting. These changes to TOU pricing maintain the important principle that prices reflect the cost of electricity supply. They will come into effect in the fall of this year, as described below.

A revised version of the Manual that reflects these changes will be issued shortly.

### **Background**

In April 2008, the Board issued for comment a Board staff Discussion Paper (*Regulated Price Plan – Time-of-Use Prices: Design and Price Setting Issues*) on a number of

issues associated with the Board's TOU pricing structure and price setting methodology. Sixteen interested parties representing electricity distributors, consumers and electricity retailers responded with written comments. These written comments are available on the Board's website.

### **Time-of-Use Price Periods**

The Board's consultation with interested parties revealed that a majority of respondents favoured retention of seasonal variations and the three-price structure for TOU prices. The Board generally concurs with these views. However, the Board also recognizes that the basic structure can be retained while introducing some adjustments that simplify TOU pricing for regulated price plan ("RPP") consumers, and that this can be achieved without compromising the fundamental principle of supply cost recovery.

Specifically, the Board is concerned that the winter evening period is too fragmented, with a two-hour mid-peak period (from 8 p.m. to 10 p.m.) occurring between on-peak (from 5 p.m. to 8 p.m.) and off-peak (from 10 p.m. to 7 a.m.) periods. Therefore, the Board is eliminating the winter evening mid-peak period. On-peak prices will extend to 9 p.m. and off-peak prices will start at 9 p.m. The Board is also changing the start of off-peak prices in the summer evenings from 10 p.m. to 9 p.m. This will result in evening off-peak prices beginning at 9 p.m. year round

### **Global Adjustment Allocation**

In its initial consultations to establish the RPP price setting methodology, the Board suggested that target price ratios of 1:2:3 (off-peak:mid-peak:on-peak) would be sufficient to stimulate load shifting. In the more recent consultation on the Board staff Discussion Paper, most respondents strongly supported the Board maintaining the principle of supply cost recovery when setting TOU prices.

In the most recent TOU price settings, the target price ratios have narrowed, reducing the cost saving incentive to shift loads from on-peak to off-peak periods. This reduction in the difference between off-peak and on-peak prices will continue as Global Adjustment ("GA") costs become a larger proportion of total RPP supply costs. The current method of supply cost recovery allocates GA costs uniformly on a per kilowatt-hour basis across all TOU supply. This type of allocation increases off-peak TOU prices proportionally more than on-peak prices.

The Board will instead allocate GA costs that can be attributed to peak energy supplies or load reduction initiatives through on-peak prices. GA costs attributable to baseload supplies will be recovered through all three TOU prices. This will preserve load shifting incentives in TOU prices while maintaining supply cost recovery.

### **Timing of Implementation of Revisions**

The TOU pricing structure changes described in this notice will be effective on November 1, 2009. Similarly, the Board will start to use the revised GA allocation methodology described in this notice for purposes of setting the fall 2009 RPP prices.

If you have any questions about these revisions to the Manual, please contact Russell Chute at 416-440-7682. The Board's toll free number is 1-888-632-6273.

**DATED** at Toronto, May 13, 2009  
**ONTARIO ENERGY BOARD**

*Original Signed By*

John Pickernell  
Assistant Board Secretary