



the **gandalf** group

Ontario Energy Board

Distribution Charge Focus Groups

Final Report

October 9, 2013



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I. Introduction & Methodology

On behalf of the Ontario Energy Board, the Gandalf Group was pleased to conduct four focus groups with residential electricity consumers about proposed changes to distribution charges.

Groups were 2 hours in duration, with nine to ten participants in each of the four groups. Two groups were held with seniors and representatives of middle and lower income households, and two were held with representatives of middle to upper income households and parents with children in the home. Participants were a mix of Toronto and 905 community residents. All participants were homeowners, condo-owners or renters that pay their own electricity costs. Participants were all customers of Powerstream, Hydro One, Enersource, Veridian, or Toronto Hydro (see Appendix B).

These groups were conducted on September 25th and 26th 2013 in North York.

The moderator's guide for the focus groups (see Appendix A) begins with a warm-up and an introduction to the focus group format. Then basic ideas around electricity use and pricing are discussed including familiarity with time of use pricing and delivery charges. The moderator begins a discussion of distribution costs and pricing. The guide then introduces the new distribution pricing scheme. The current and proposed pricing systems are compared, as well as the introduction of fixed 12-month charges and tiered pricing. Later a rationale document is shared and discussed to see where it is helpful at explaining if not arguing for the changes.

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II. Executive Summary

Engagement in “time of use” (TOU) pricing among participants is high. Understanding the need to avoid or reduce consumption during peak times is something most were prepared to manage, although with varying degrees of difficulty.

While many understand how TOU and electricity charges are calculated, many do not understand why the electricity system benefits from peak-time pricing. More information about the actual and potential costs of delivery during peak times (and how the system has to be built to handle peak loads) was interesting to participants. It helped build understanding more about the service they get and as rationale for proposed distribution charges that reflect consumption during peak hours.

There was concern among some that bills would likely increase significantly under the proposal. A relationship to TOU specifically will be important – i.e. implying a range of rates rather than a focus on consumption during peak hours. But many people will be anxious to know specifically what will happen to their bills, either in transition or in the long run – will they jump up because of peak time usage or be introduced at a rate similar to what they pay now, given how tiers track consumption?

Consumers want tools not only to understand the calculation but manage their costs by offering evidence of past and present or projected usage with respect to what each mean for bills.

An explanation of how proposed “tiered” charges would track current variable costs was reassuring to some in the sense that they felt the new charges align with what they presently pay. Some could see the opportunity for bill decreases. But in the absence of certainty about their bill others were concerned about the potential increases of several dollars monthly. Citizens of modest means could be very vocal about bill increases amounting to \$4 or \$5 a month or more.

A more widely shared concern was the proposal to move to 12 months of fixed charges. It helped modestly to explain that system costs are relatively fixed month to month as a justification for fixed charges. That argument was somewhat undermined by the proposal to peg charges at different levels leaving people confused as to whether costs are variable or fixed and whether charges should be too.



Fundamentally there is a concern about cost of living pressures here and an engrained acceptance that a substantial portion of costs or bills should be variable (perhaps more since the introduction of TOU). This specific proposal appears to preclude savings they believe they are working to achieve with steady reductions in use under TOU. Finally, a fixed charge approach over 12 months seems like a higher burden.

III. Detailed Findings

Context: What Consumers Know About Delivery Charges and “Time of Use”

Most in the groups said they had embraced “time of use” (TOU) pricing habits. They were aware of whether peak pricing impacted or benefited them or how they had changed their habits to conserve.

Despite this level of engagement, many do not understand why peak pricing is in place. Some assumed that when energy is in demand it will cost more to generate or import. But others assumed the price is merely raised when it can fetch more on the market. Only a few went so far as to articulate the goal of TOU pricing (to spread out demand) and if they did they would be far more likely to say this was to avoid brownouts than manage investments in system capacity.

Participants believe they get comparatively little information on their bills about delivery charges, compared to the electricity line where both the calculation or rate is evident. As well they are more likely to understand intuitively what they receive for the cost of “electricity.” Few could articulate what they get for delivery. The infrastructure behind the system is simply not top of mind. It is not easy to visualize let alone value. This helps to explain why some participants told us they are displeased that the delivery portion could sometimes cost the same or more than the electricity portion of their bill. Some questioned how such a charge could exceed the value of what they believe they are buying.

We provided some detailed information to group participants about the costs entailed in the delivery line of bills. Little of the information about distribution or transmission (poles, high voltage transmission lines etc.) was surprising to them; it served as a



reminder of information that is not top of mind. It is somewhat helpful to getting people to visualize the true costs of their electricity consumption.

Showing how the line was calculated seemed more important. The lack of transparency around this charge now was noted in comparison to the detail around how TOU is applied and what drives the electricity charge or line.

A New Approach To Distribution Charges

When a proposal for pricing delivery based on demand during “peak hours” was presented we saw immediate concern from some in the groups. Those consumers appeared to believe they would be charged a higher rate per kwh for all their electricity use in relation to delivery – i.e. a “peak” rate. Others understood that this system would not impact them much if they felt they had reduced or could avoid consumption during peak times already.

A more widely held concern is that their bills give them no tools to manage this going forward. Participants wanted tools or metrics on their bills to better understand how charges are calculated in the new system, and to so see if they what targets they are meeting.

A Rationale for Peak Time Pricing

We found that the presentation of a rationale for these changes was somewhat interesting for participants and somewhat helpful to increasing acceptance of the changes. At least it helped break down the cynicism or concern about lack of transparency, which is a separate or additional concern that accompanies electricity charges and rate increases.

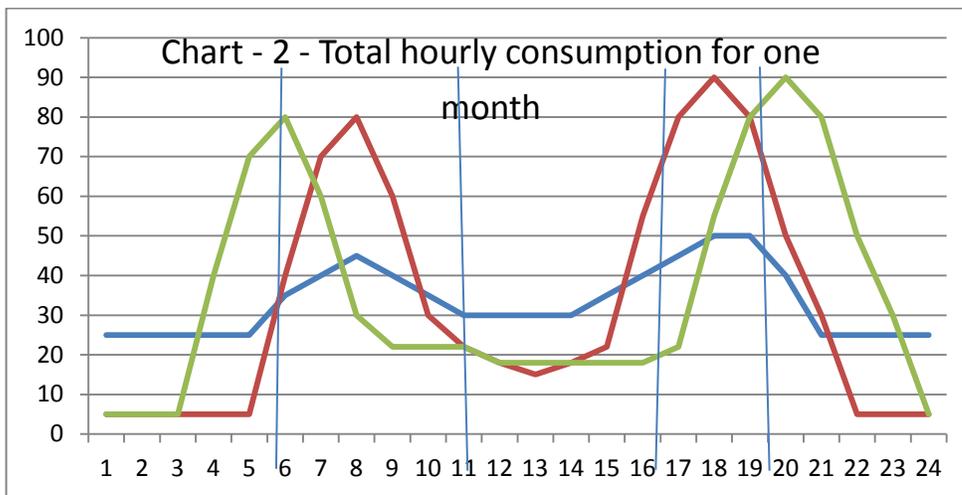
A “water pipe” analogy was helpful at building understanding of costs to the system that result from peak demand. This analogy effectively conveyed the idea that we need a bigger system to deliver more power at once.

If we have used language to tell consumers that infrastructure costs are static and don’t fluctuate with monthly usage, some will not grasp the water pipe analogy or what costs to the system we could possibly be talking about. Indeed those who questioned whether the system needs to be build out to manage peak capacity assume that poles and wires are cannot be expanded and do not need to be.



It will be important to talk about tangible investments that will have to be made or have been made to handle higher net peak demand. As well we should illustrate the problem in a way that people can grasp – e.g. the hottest days of summer and the concern that utilities must take in planning for the future. This would be a more graphic depiction of the costs and the risks and the need for pricing signals to forestall this.

There was a tension between an argument for less fluctuation month to month in terms of what the customer pays on the one hand and the need to talk about future costs or expanding the system to handle peak consumption. It is difficult to try convey that costs do not fluctuate as much as charges do (as the communications materials we tested did) and then speak to reduce peak consumption. It seems that a discussion of fixed costs should not be discussed outside of the larger argument or context. In our communications, the sooner we explain the big picture, and get at the total costs to the system of peak days (the “water pipe” analogy and planning for peak days) the better our argument. Our argument would emphasize that the system has to have a maximum capacity, one that might vary over time (i.e. some variability) but in essence only grow with increases in maximum demand, and not contract if average demand decreases.



A presentation of how peak time users’ consumption could vary substantially from a consumer who either shifts or reduces peak consumption helped to illustrate to group participants the range of demand that homes have and what this can entail for the system during peak hours (shown in red in chart 2 above).



The idea that different utilities calculate the charge differently now (with some offering a very low flat rate) raised an issue of fairness that people agreed should be fixed. It might be considered as a talking point in communications; but if different utilities continue to have different costs (or if rural customers continue to pay more) it would negate the overall credibility of this argument. (Yes, there would likely be more fairness between consumers with similar consumption patterns with some of the various utilities but not overall.)

Tiered Pricing

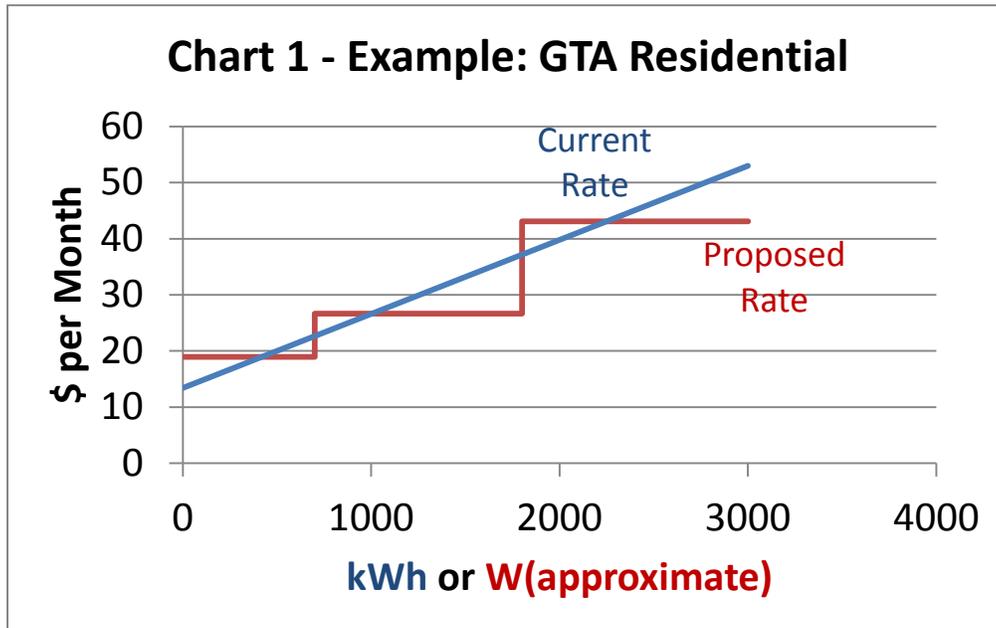
Moving to tiered pricing drew mixed reactions.

Some in the groups were not concerned about new charge system because they believed they had shifted or could move their power consumption away from peak times. Some believed they would benefit with a lower charge. How many will be able to do so in transition, and over time, will impact the long-term communications around this issue.

Others felt that since they are likely to adopt some energy efficiency measures, but are limited from adopting substantial conservation efforts, this system prevents them from seeing small reductions in costs and therefore any reductions which they would see otherwise.

A few questioned any suggestion that this was revenue neutral – either to consumers overall or to them in particular. This fact will not be assumed. Some will assume the tiers have been selected in a way that means a net revenue increase.

The key concern here is the possibility that some would see increases. In the short run, many will be concerned about this possibility. And in the long run, a few may determine their charges increased even if they haven't switched tiers that they are in the lower-end of the scale within a tier (see chart 1: differential can be deduced from the pricing graph with tiers and current charges or rates, e.g. at about 900 kwh or 1900kwh where the red tiered line exceeds the blue straight line of current rates).



An approximate increase of close to \$5 monthly will be an irritant for those who believe their bills have increased of late with no change in consumption. They will be a serious concern for those of modest means. Based on what we heard, citizens of modest means who already feel stretched could be very concerned and very vocal about bill increases amounting to \$4 or \$5 a month or more. We heard suggestions about increasing the number of tiers to make such cost differentials lower.

Maximum Usage Pricing

The concept of maximum use during peak times is difficult for people to understand and raised concern among a few. There is no template for measuring maximum use that people are used to in the way they understand TOU. It was not obvious how this would be calculated.

Without precise details of this there was concern expressed by some that small lapses in their conservation efforts will mean they will have to pay a high price for that (even if they conserve diligently on the vast majority of days during peak times). So there will be questions of fairness if they have conserved on the vast majority of days during peak demand times and essentially helped to reduce peak consumption.



Fixed Monthly Charges

Moving to a fixed monthly charge every month for 12 month periods was problematic for participants in our groups. Concerns included:

- The fact that many assume they will seek efficiencies in the course of each year and that this will forestall the benefit or reduce the payback of those.
- Others believed that if we were encouraging reductions in peak consumption, along the lines of TOU pricing that they should be incentivized either to the full extent or in the way they are accustomed to.
- Some worried that in order for them to qualify for lower charges due to decreased consumption, that decrease in consumption would have to be sustained for 12 months and with less forgiveness than exists now for lapses. It seems like a higher burden, with a chance of no reward if they fall short.
- Two groups' participants were particularly cynical and felt that utilities might simply change the rules or conditions at the end of each year, and that the promise of lower rates based on a reassessment of usage would essentially disappear with a rate increase.
- This helps explain why several respondents immediately asked if they would see credits retroactively if use was lower than assumed in the rate they were charged.

The responses we heard suggest people believe their bills and distribution charges vary substantially month to month.

Variability is a deeply engrained principle – from home to home and month to month. While most cannot explain how the charge is calculated now they apply the perspective that charges should not be the same for each household and should be affordable for those who are both of modest means and consuming less. Individually, for themselves, consumers expect to be able to decrease each bill amounts as their consumption comes down.

We found a few individuals supported the idea of fixed charges in that costs to them do not fluctuate month to month given the constant costs of delivery infrastructure. But, if they accepted that, they might then have trouble understanding why delivery charges could be pegged higher or lower based on peak demand. This issue is complex and confusing until we introduce the need for the system to be built to handle peak demand (using a “water pipe” analogy, which we discuss below).



IV. Considerations for Communications & Implementation

The following are a number of considerations and suggestions for any eventual implementation of the proposed new delivery pricing scheme drawing on what we learned from the groups.

- 1) The first key area for communications inevitably deals with the cost to consumers.
 - Many will want to know what their new costs will be after transition. If there is likely to be little to no change it will be important to communicate it. It will not be assumed – many simply assumed they would be paying very different amounts for delivery charges. Sample bills and a chart showing the relationship between pricing tiers and current rates will be helpful to explaining the costs after transition. (Chart 1)
 - Caution must be taken to carefully explain that pricing based on usage during peak-hours does not mean automatically mean higher charges across the board. It would be more appropriate to explain we are introducing different charges that reflect whether consumers shift usage away from “peak” hours, rather than say we are introducing charges based on “peak” consumption. We should come as close as possible to aligning this to TOU principles, rather than “peak” rates per se to explain more clearly that there will be lower rates and a high rate.
 - But consumers also want the ability to manage and understand implications of usage on these charges. Such tools could help to forestall “sticker shock” and offer fairer warning. Obviously if we could offer the potential of savings in writing or offer a clearer signal of the benefit of reducing peak consumption it will be helpful as well. Announcing the new delivery pricing scheme before it will go into effect, but begin including usage tracking and projected delivery costs on bills in advance would help with the transition. The initial announcement should include a brief fact sheet (bill insert) and direction to an OEB website with an FAQ document and detailed materials, including different electricity consumption profiles to demonstrate the overall effect of the scheme.
 - What the groups could not assess was the likelihood that some would in effect jump up a tier or two if they were substantial peak time consumption users, but low net users overall. Many assumed from the tiered pricing we presented to them that their new charges would roughly track current charges (or that they could or had reduced peak time consumption already). Ultimately, where people



land will depend on a calculation of their bills, something we couldn't do or present in these groups. Managing communications around those larger increased (if they occur after transition) will require some planning based on an understanding of the likelihood and frequency of those cases.

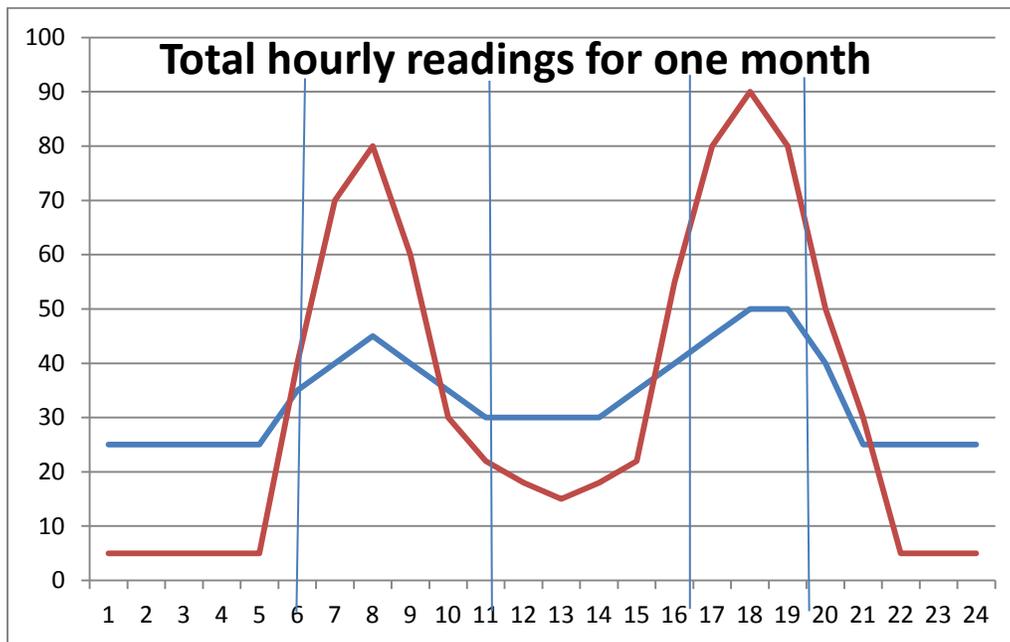
- 2) In addition to outlining how this charge will be calculated, offering some rationale would be helpful.
 - Participants mostly accepted and understood the rationale and “water pipe” analogy for explaining why the new scheme is necessary. Many said we had presented a good argument for changing the charge or at least why “peak” time consumption is an important issue that needed to be dealt with. But more work could be done to consider how to build this analogy and make it real – both in practical descriptive ways if not also in ways that are graphic or capture attention around the seriousness of the risks or costs if a system is not built to handle maximum capacity.
 - Understanding this was also the only way to convey this scheme had a fairness element – i.e. those who put strain on the system in peak hours should pay for the costs associated with that. In the absence of that, these charges will appear arbitrary and fairness will not be understood or assumed in any way.
 - Peak-time pricing seemed in people's minds more linked to the cost of generation and electricity in peak hours than the delivery costs of an LDC. The relation between peak-time pricing and the delivery line may not be as readily accepted as it has been with respect to the electricity line. So the “water pipe” analogy, if built out a bit more with tangible examples will overcome the doubt that would otherwise exist about how peak rates for electricity would really impact static or day-to-day costs at LDCs.

Messaging (or the rationale) should cover off whether this scheme is revenue neutral or not (i.e. whether it is designed to raise more resources for LDC's investments). If it is revenue neutral but meant to send price signals we should say that. If the intent is to raise funds for identified future distribution costs, we should say that too but also stress to the extent possible that this offers a price signal with the capacity to help contain escalation of those system costs.

A chart comparing different approaches to total consumption or to shifting consumption out of peak time, proved to be helpful to the arguments we were making and the



behaviour we were seeking to effect. It illustrated at once the degree of stress that peak-time usage can put on the system overall (the rationale for costs that handle larger peak consumption or in this case a higher maximum) and the divergence between customers (the potential variance in cost per consumer).



There were many technical adjustments that group participants told us they wanted (or matters requiring clarification). To be sure many consumers will want less risk of increases. But below are some suggestions we received. Most of these are geared towards avoiding unintended consequences.

- Some consumers wanted us to consider more than 3 price tiers. The price differentials could be reduced as could the number of people who see increases because of where they sit relative to the curve. These people may be small in number as a percentage of the population but they may be more vocal than those who see savings.
- Participants asked about scenarios where someone moved into a new apartment or buys a home wherein the previous user had high peak-hours consumption. They found the idea that they would be punished for someone else's behaviour to be unfair. Perhaps new residents of apartments and new owners of homes and condos should begin with the median delivery rate. After 3 months, the



- consumer would be assigned a tier based on their consumption thus far, thereby beginning a new one year period of delivery.
- Moving to 12 months of fixed charges was a difficult concept for participants to accept. As mentioned above, the idea that charges would be assessed only annually was seen as either too high a bar to set for conservation or too great a lag between behaviour change and reward. A 3 or 6 month cycle might be somewhat more acceptable, but could at least be considered in a transition phase: e.g. with a reassessment at 3 or 6 months, as part of a transition period before moving to 12 months of fixed charges. If someone ends up in a higher tier based on previous year's usage, they will be able to opt out sooner if they have the capability to shift consumption. As well a true price signal with some measure of forgiveness and of limited impact might be one of the best forms of communication to effect change.
 - It may be worth demonstrating how much or how little changes from month to month under current pricing with some utilities. Many don't track this now, but they presume it's not a small amount. Some presumed that on a net basis they would miss out on savings resulting from months when they have substantially lower peak-time consumption. A transition phase and some element of more on-bill transparency about how charges have varied month to month might illustrate how little the variation and savings have been in some months and vice versa how that fixed charge could also be below what they have paid in a given month.

In the long-run, communications about and the impact of this file will depend on the degree of increases that are likely. For the majority we seem to be talking about small changes with minimal financial impact. And that will need to be part of the thrust of communications. Under normal circumstances that would merit only modest efforts of communications or passing notice. But a small minority could be a vocal one and the number of people who see substantial increases needs to be understood and anticipated and managed accordingly.

Some consumers are irritated about the costs they pay for distribution and electricity as it is. So our adjustments do not come in a vacuum. They will be perceived along with the complexity entailed in other recent changes to bills.

Second, this is a complex brief. We are proposing or discussing three technical changes at once to calculating one charge on the bill. It will be important to put an emphasis in



communications on two ideas, not several technical changes. The details of the changes should be made available to all but not the thrust of communications messages.

The rationale is likely to be helpful, but communicating it to millions of Ontario consumers is understandably a large challenge. Despite the amounts they pay, it's noteworthy how little most know about the costs of the system. Many have not investigated the issues at stake up until now.

Moving to fixed charges will be a difficult issue to explain or justify, unless the net impact remains small. A transition period will help so people feel they have a chance to lower bills. The more tools we provide about past and future variability and how to manage costs and see rewards the less concern people will have that they are locked in for one year. If we can truly point a way to lower bills for some, at least some will feel advantaged by the system. Finally, it's noteworthy how many use the tools that come with their bills. As complex as it may be, a reengineering of the delivery line will lead many into some understanding of our change.



V. Appendix A – Moderator’s Guide

i. Warm-up/Introduction

- *Thank participants for attending*
- *Lay out key ground rules, goals of the discussion*
- *Note one way mirror and video/audiotape, assure complete confidentiality*
- *Electricity - brief intro to topic – ask participants to introduce themselves tell us if they receive bills from a local utility and which. Ask if they signed a contract with a reseller/marketer. Ask how long they have purchased from that utility/marketer and how long they have lived where they live.*

ii. Background – 10 minutes

1. I’m going to ask you about various charges on your electricity bill. First off, how many of you know what time of use pricing is? Are you familiar with that? (show of hands, have a brief discussion to establish facts)
2. And peak pricing? (show of hands, have a brief discussion to establish facts)
3. How many of you have tried to reduce your peak consumption since time of use pricing was introduced? (show of hands)
4. Why does the electricity system charge more during peak hours?
(Probe to understand how many see this as related to charging for demand versus managing demand supply, conservation)
5. What would happen if prices for electricity were the same at all hours?
6. Does the cost of running the electricity system go up during those hours – if and when a lot of consumers are at their maximum demand all at once? (Probe to see if this scenario is thought to be not about costs and infrastructure but about risks and brownouts or both or other.)
7. How many of you have noticed the delivery charge on your bills? What does that charge comprise or pay for? What are some examples?



8. Where does that charge go? Who receives it?
(At this point ask each to review a sample of a bill. Each has been encouraged to bring copies of their bills. We will have a sample on hand – “HANDOUT 1”)
9. It actually represents two different payments: one to pay for distribution to you from the utility and second to the transmission company that brings the power from the generator to the cities at high voltages. Is that new information? Does that seem different than you expected?
10. *(The moderator will then explain)* The delivery charge represents the cost of such things as the transmission towers, wires, transformer stations, the poles outside your home and all of the operational costs to maintain and enhance that system. Is that a different explanation than you might have expected?
11. Are there other costs to delivery that that list did not include that you would think would be included?
12. Does the delivery charge vary between households?
13. Does the delivery charge vary from month to month? Can you bring this cost down or just your electricity charges? Or both?
14. Can you tell me how the delivery charge is calculated?
15. Do you look to see if that charge changes month to month? Is it something you watch closely?
(Probe to understand how they view this now and what variables they feel exist)
16. How many of you have heard of the Ontario Energy Board? Do you know what it does? *(After gauging sense and awareness, moderator will read out a basic summary of the mandate of the board.)*
 - Mission: to promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services at reasonable cost.



- The Board regulates the electricity and natural gas sectors in a manner that focuses on outcomes that are valued by consumers

iii. Technical Change Testing – 25 minutes

(Each participant will receive and be asked to read a handout. Ask respondents to read these paragraphs - all excerpts from the primer document that deal with a proposed technical change – this is “Handout 2”. Using pens or pencils circle ideas or phrases they like, cross out what they don’t like. Put a question mark where they have questions or are confused by anything.)

17. Please review this document about the delivery line. This outlines a proposed change to the delivery line. Using pens or pencils circle ideas or phrases that you think are positive, cross out what you don’t like. Put a question mark where you have questions or are confused by anything. I will collect these at the end of the groups. Please don’t put your names on them. When you’re done we’ll talk about your reactions, so please just read this through till the end before discussing.

HANDOUT 2

- a) The biggest part of the Delivery line on your bill goes to your local distribution company, like Toronto Hydro, Enersource, Powerstream, Veridian etc. Those utilities (there are 77 of them) apply to the Ontario Energy Board for permission to collect enough money to cover their costs of serving their customers.*
- b) Utilities charge households a small monthly fixed fee along with a rate based on how much you consume.*
- c) A new way to calculate and charge distribution rates would be to link those rates to how much a customer uses during busy, peak demand time of the day.*
- d) We can do that using the data from a home’s smart meter and pegging a person’s distribution charge based on how he or she used electricity during the previous year. It would be a fixed, monthly charge pegged at a level related to your usage during the peak time of day.*
- e) Over the course of the year, your monthly charge would not change from month to month. The charge would be based on your consumption from the previous year. If you reduce or increase consumption significantly you could pay a lower or higher amount.*



f) Customers with a charge in the middle or upper range could shift their consumption away from those times of day when electricity is most expensive and when demand is high and be able to reduce that fixed charge for the following year.

18. Was there any language here that you found needed clarification? Is there anything that you didn't understand? (probe first to understand if any of this was not clear).

19. What is your reaction to this?

(Moderator will need to ensure at this point that everyone has understood the facts – that this is a change to the distribution charge within the distribution line only. Take the time at this point to discuss the basic changes introduced here, ensure each is understood and get any further reaction.)

20. The new way to calculate and charge distribution rates would be to link those rates to how much a customer uses during busy, peak demand time of the day.

- a. Did you have any questions about that or does that seem clear?
- b. Do you have concerns about that?

21. You would pay the same amount each month so there would not be the fluctuation from month to month. At the end of the year, a re-calculation could occur if you have increased or decreased consumption during peak periods.

- a. What did you think of that?
- b. Did you have any questions about that or does that seem clear?
- c. Do you have concerns about that?

22. Does this concern you at all, possibly or not at all?

23. What concerns would you have?

24. Why would this be a good thing?

25. Why do you think this is being done? (probe for as many reasons as possible)



iv. Pricing Calculation Change

(Moderator will share “Handout 3” the pricing chart that outlines GTA Residential Pricing Example – the chart would show pricing now for KWH and compare that to the pricing those customers would now pay OR show charts with current pricing based on consumption and based on peak consumption)

1. This chart shows you the fixed charges that different residents could pay for distribution charge that is included in the delivery line of your bill. What this outlines is that there are three different charges that households would pay based on their consumption – more or less or an amount in the middle. And it shows you where those households are today when it comes to the distribution charge they pay.
2. How would you describe what is different with the new charge?
3. So the proposed system is different than a charge based on consumption calculated by a rate. This is not a sliding scale. Here we have pricing tiers. Have a look at this chart and then I will ask for your reactions to this. So while pricing for distribution will be pegged to amount consumed, it will not vary slightly, it will vary between levels of consumption, if you reduce consumption your charge will not come down until or unless you move out of the tier you’re in. What is your reaction to this?
4. What is your reaction to the impact that this will have on bills? (Probe to see here if people feel this is fair and whether they think this will entail significant rises or decreases.)
5. Why might this be a good thing for consumers?
6. Are there other reasons why this might be a good thing for consumers or for the system?
7. (At this point the moderator will hand out the sample bills “HANDOUT 4”. to put into real terms what the bottom line impacts are going to be and determine whether reaction or understanding increases or lessens with the chart and/or in turn what reaction or understanding the sample bills help to bring about.)



Here are sample bills for residential households. If you look at the delivery line in the current bills and the delivery line in the new proposed approach you can see the impact in context. So the distribution portion of the delivery line is being calculated differently now and you can see the impact. What is your reaction to this?

8. Is this about what you expected based on the chart? Does this seem different than what we had discussed in the first handout?
9. Do you have any questions at this point?

v. Maximum pricing

1. I want to ask you one more question. And that is about determining what to charge based on how much you consume during peak hours. Imagine that this would be calculated based on the maximum during the peak hours as defined for Time of Use. This could be the one-time maximum reached at any point in the year or average of the 5 highest days. What's your reaction to that?

vi. Rationale – 25 minutes

1. (The moderator will now present “Handout 4” which presents context and rationale.) Please review this document about the delivery line. Using pens or pencils circle ideas or phrases that you think are positive, cross out what you don't like. Put a question mark where you have questions or are confused by anything. I'd like to ask you at the end after everyone has read this if you felt any of this was surprising, important to you or a good argument for this change. This is specifically about the proposal you just read.

HANDOUT 5

- a) *Right now, utilities charge households a small monthly fixed fee along with a rate based on how much you consume. That fixed charge varies from utility to utility to cover things like administrative and billing costs. Some distributors use a higher fixed charge and lower rate based on how much you consume; other distributors are the opposite. The result is that two identical households*



- with different distribution companies could be charged different amounts on their delivery line depending on how their utility charges its customers.*
- b) There are other challenges with collecting rates that way. First, the province requires these local distributors to encourage customers to use less electricity. But if customers use less, the distributor makes less money, even though they still need to buy just as many poles and just as much wire as before. In fact, most of that local distributor's costs have very little connection with overall consumption because you still need all the wires and poles and such to get the electricity to each home and business in the community, regardless of how much each home and business is using.*
 - c) What the Ontario Energy Board has been looking at is whether there is a better way to do distribution rates. We know that utilities need money to maintain and modernize their systems. We also know that customers value stable, predictable rates. Is there a way for utilities to collect that money that is more in line with their costs? Is there a way to make distribution rates that send the right message to consumers about how their consumption affects the utility's costs?*
 - d) The Board thinks there is. Rather than charge a rate based on how much a customer uses through the month it's a more relevant measure to charge based on how much a customer consumes during the busiest demand period of the day. Much like time-of-use prices on the larger Electricity line of a bill.*
 - e) Consider how the utility invests its money. Distributors build their systems so that they have the capacity to carry enough electricity into homes and businesses during the busiest time of day. It's not unlike figuring out how big of a pipe you need to deliver water to a neighbourhood. If everyone in the community used their water at a slow and steady rate through the day, you may only need a two-inch pipe to make sure everyone had sufficient water pressure. But because people generally use their water in bunches (like everyone having their morning shower at the same time), then you need a wider, more expensive pipe to make sure everyone can shower whenever they want. Back to electricity, that means a lot of money is spent to make sure we don't run short of power for that short period each day when everyone is coming home from work, turning on lights and starting supper, or cranking up their air conditioners on a hot summer afternoon. In other words, the activity that is driving up delivery costs is that high-demand time of the day. It is not so much about your total consumption through the month.*



- f) Consider someone who consumes a lot of electricity during other times of the day. She or he actually adds very little to how much their utility needs to spend to make sure the system is big enough to handle the busier, high-demand periods. And yet, right now, that person pays a higher distribution charge than someone who is using more electricity during the busy periods, but less overall during the month.*
 - g) A more sensible way to charge distribution rates would be to link it to how much they use during that busy, peak demand time of the day. That's because those are the times that require the utility to spend money on things like bigger lines and bigger transformer stations. We already do that for time-of-use prices on the Electricity line on your bill. Prices are related to the cost of generating the electricity during the time of the day you are using the electricity. By pegging a person's distribution rate to how much they use during the busiest time of the day, customer bills would more accurately reflect their costs on the system. It would mean that person who uses more electricity through the month, but less during busy times of day, isn't subsidizing other customers who focus their electricity use on the busiest, and most expensive, times of day.*
 - h) Another benefit to this is that it offers a bigger reward to customers already working to shift their consumption away from those times of day when electricity is most expensive. Avoiding that expensive time when demand is high would enable a customer to reduce that fixed charge for the following year.*
2. What was your reaction to this document overall? On balance do you agree with the arguments? Disagree? Or was this unclear? (Probe to see whether they agreed with this, disagreed on balance, and what they disagreed with, and what they agreed with.)
 3. What parts were unclear?
 4. (Moderator will go through each paragraph and discuss each to the extent that they have not been discussed already) So let's review each paragraph. For the first/next paragraph:
 - a. Did you agree or disagree with this?
 - b. Is this a good explanation for why we would change the way the delivery line should be calculated?



(Repeat for each paragraph)

5. This document said that peak times are the times that require the utility to spend money on things like bigger lines and bigger transformer stations. Did that surprise you or is that different than you thought was the result of many people reaching their maximum consumption during the day (or evenings in winter)?
6. Does that change your mind about why the electricity system has been charging more for electricity during peak times? (Probe for and recall reasons they thought prices were higher during peak times)
7. If infrastructure has to increase or be large enough to handle peak consumption times when more people want more electricity at once, what would you figure or guess would be the ways in which the system's capacity would have to expand? We talked about a water pipe for instance that had to widen when more people want a lot at once, rather than the same amount over a smaller period. What are the parts of the electricity system that you see around you that have to widen?
8. What did you think of that water pipe analogy? Was that a fair comparison? Is there a better comparison?

vii. Wrap up

1. So now that you've read about this proposal in detail let me ask you, if I said to you this is a smarter way to make rates for the charges your electric utility charges would you agree with that or disagree with that?
2. What's your reaction to that statement? "This is a smarter way to make rates."
3. Why might it be a good thing?
4. Having read all the material now, does this concern you a great deal or not at all or a little?
5. What concerns would you have?



6. What do you think the Ontario Energy Board should consider before going ahead with this?
7. What was the most important piece of information or explanation to helping you understand the impact on your bill?
8. What was the most helpful piece of information we discussed that answered questions you had that clarified what this was for?
9. What was the best argument for doing this?
10. I'd like to ask you to tell me the objectives are of this? What is the main objective? (probe to see if there is consensus on this?) How would you sum it up in your words?
11. What are the secondary objectives?
12. How is this good for the electricity system? (Probe to see whether simpler regulation, consistency in regulations, stability of revenue for utility, stability of rates for customer, and conservation/peak use mgt and cost control to keep costs down have come up? If any have not come up ask if they agree that this is a reason behind this and whether it's a good reason)
13. How would you sum up the impact on consumers? Who will see the results on their bill?
(Probe to see if this is good, neutral or bad for the consumer. Is it good/bad for most, for some, for all?)
14. How many of you use natural gas at home? Could this system apply to delivery of natural gas? Does the same concept apply? Would you agree or disagree that this applies as much to how we charge for natural gas as for electricity. Or is this more applicable to natural gas? Or less applicable?
15. Probe: is this revenue neutral?



16. **Reminder: an open consultation will occur before this happens/would be implemented.**
17. **What should a bill insert say? What three things to advise you?**



VI. Appendix B – Recruitment Screener

Project Energy Communications

Group 1: September 25 – 6 pm - skew middle to lower income, and seniors

Group 2: September 25 – 8 pm - skew middle to upper income, and parents with kids at home

Group 3: September 26 – 6 pm - skew middle to lower income, and seniors

Group 4: September 26 – 8 pm - skew middle to upper income, and parents with kids at home

Location: Head Quarters (Uptown) – 5075 Yonge Street, Suite 601 (North of Sheppard Ave)

Map: http://www.head.ca/toronto_map_hq.html

Target

Recruit 10 respondents per group

Recruit respondents who live in Toronto, Aurora, Richmond Hill, Vaughan, Markham, Brampton, Uxbridge or Mississauga any other 905 communities. Ensure a similar mix in each group in terms of proportion from 416 vs 905 e.g. a max of Toronto Hydro customers.

All respondents will be homeowners, condo owners or renters that pay their own electricity costs and receive their electricity bills at their home - No respondent will have a landlord pay it or have the cost of electricity rolled into a condo fee.

All respondents must purchase electricity and receive a bill from a utility company. All respondents must purchase electricity directly from one of the following utility companies: PowerStream, Hydro One, Enersource or Veridian or Toronto Hydro. At a minimum we'd want four of those 5 companies' customers represented.



All respondents will be asked to bring a copy of one of their electricity bills. This is not compulsory.

INTRODUCTION:

Hello, my name is _____ and I'm calling today from _____ to invite you to a focus group discussion scheduled for **September 25 and 26 in the Yonge & Sheppard area**. It will be a moderated discussion running a maximum of 2 hours with about 9 other people to give your input and thoughts regarding a specific topic regarding electricity pricing.

Your participation in the research is completely voluntary and your decision will not affect any future opportunities with us. All information collected, used and/or disclosed will be used for research purposes only and administered as per the requirements of the Privacy Act. We will not share your last name, phone number, or mailing address.

You will also be asked to sign a waiver to acknowledge confidentiality and that the session discussion will be recorded. You will receive an \$85 cash honorarium as a thank you for participating in this focus group. May we have your permission to ask you some further questions to see if you fit in our study?

Yes1
No2 – THANK AND TERMINATE

INDICATE: Male.....1 } GOOD MIX PER GROUP
 Female.....2 }



1. Are you or is any member of your household employed in, or ever been employed in:

| | Current | | Ever | |
|---|---------|-----|------|-----|
| | No | Yes | No | Yes |
| Market Research | () | () | () | () |
| An Electric Company or electricity marketing company | () | () | () | () |
| A Natural Gas company Marketing | () | () | () | () |
| Public Relations | () | () | () | () |
| Any media (Print, Radio or TV) | () | () | () | () |

IF YES TO ANY OF THE ABOVE – THANK AND TERMINATE

2. In what city do you live? _____ -
SPECIFY

ENSURE A GOOD MIX OF CITIES PER GROUP

3. May I have your age, please? _____ -
SPECIFY

- 17 and under1 – THANK AND TERMINATE
 - 18 – 24 years2
 - 25 – 40 years3
 - 41 – 49 years4
 - 50 – 64 years5
 - 65 - 70 years6
 - 71+ years.....7
- } GOOD MIX PER GROUP

4. Are you a home owner, condo owner or a renter?

- Home owner1 – SKIP TO Q6
- Condo Owner2 – ASK Q5
- Renter3 – ASK Q5



5. (ASK ONLY IF RESPONDENT IS A CONDO OWNER OR A RENTER AT Q4, OTHERWISE SKIP TO Q6) Is the cost of your residential electricity blended into your condo fees/rent, meaning you do not see or receive a regular electricity bill from the utility company?

Yes.....1 – THANK AND TERMINATE
No2 – ASK Q6

ALL RESPONDENTS MUST PAY THEIR OWN ELECTRICITY COSTS – NO RESPONDENT WILL HAVE A LANDLORD PAY IT OR HAVE THE COST OF ELECTRICITY ROLLED INTO A CONDO FEE

6. (ASK ALL RESPONDENTS) Do you receive a bill for your home electricity use at home?

Yes.....1
No2 – THANK AND TERMINATE

7. Who in your household is responsible for paying the electricity bill for your home?

Yourself only..... 1
Yourself and someone else 2
Someone else 3 – THANK AND TERMINATE

8. How often, if at all, do you look at your electricity bill? Would that be...

All of the time 1
Occasionally..... 2
Some of the time..... 3
Or never 4 – THANK AND TERMINATE



9. Which utility company do you receive your electricity bill from?

- PowerStream.....1 – MINIMUM 1 PER GROUP North GTA
- Toronto Hydro2 – MINIMUM 2/MAXIMUM 5 PER GROUP
- Hydro One.....3 – MINIMUM 1 PER GROUP North GTA
- Veridian4 – MINIMUM 1 PER GROUP East GTA
- Enersource5 – MINIMUM 1 PER GROUP Mississauga
- Other (SPECIFY)6 (Only some will be considered – please place on standby)

IDEALLY A MINIMUM OF 1 RESPONDENT IN EACH GROUP MUST PURCHASE ELECTRICITY FROM ONE OF THE UTILITY COMPANIES LISTED ABOVE AT Q9. BUT IF NECESSARY ENSURE 4 of 5 OF THOSE COMPANIES ARE REPRESENTED AND THAT respondents are invited from around the GTA. A MINIMUM OF 2/MAXIMUM OF 5 RESPONDENTS PER GROUP WILL PURCHASE FROM TORONTO HYDRO

10. Do you buy natural gas for home energy use?

- Yes..... 1
- No 2

11. Participants in this group will be asked to read and review and then comment on written material that will be presented in the groups. Are you able to do that or have any concerns in that regard?

- Yes, comfortable 1
- No, is concerned 2 – THANK AND TERMINATE
- Unsure 3 – THANK AND TERMINATE

NOTE: IF RESPONDENT OFFERS ANY REASON SUCH AS SIGHT OR HEARING PROBLEM, A WRITTEN OR VERBAL LANGUAGE PROBLEM, A CONCERN WITH NOT BEING ABLE TO COMMUNICATE EFFECTIVELY – THANK AND TERMINATE



12. Would you be willing to bring a copy of a recent electricity bill to consult during the groups? You will not be required to share information about your bill, just to consult it during discussion. This focus group is for research only and not a sales pitch.

(record that this has been read aloud)

13. As we need to speak with people from all walks of life, could you please tell me into which category I may place your total annual household income? Would that be:

- Under \$35,0001
 - \$35,000 - \$50,000 2
 - \$50,000-\$80,000 3
 - \$80,000 - \$100,000 4
 - \$100,000 and up..... 5
- } 6 pm groups to be made up of 1, 2 or 3
} 8 pm groups to be made up of 3, 4 or 5

14. (ASK ALL RESPONDENTS) Do you have any children, under the age of 18 years of age, living at home with you?

- Yes1 – Parents to be in 8 pm groups
- No2 – 6 pm groups

15. What is your marital status?

- Married/Common Law1
- Single/Div./Wid./Sep2

16. What is your current employment status? (ENSURE A GOOD MIX)

- Full Time Employed ()
- Part Time Employed ()
- Homemaker ()
- Student () – MAXIMUM 1 RESP. PER GROUP
- Retired () 6 pm groups
- Unemployed () – MAXIMUM 1 RESP. PER GROUP



17. (ASK ONLY IF RESPONDENT IS EMPLOYED FULL OR PART TIME OR RETIRED, OTHERWISE SKIP TO Q21) What is your current (former if retired) occupation?

Occupation

Type of Company

18. (ASK ONLY IF RESPONDENT IS MARRIED/COMMON LAW, OTHERWISE SKIP TO Q15) What is your spouse’s current occupation and employer?

Occupation

Type of Company or Industry

19. Could you please tell me, what is the last level of education that you have completed?

- Some High School1 – THANK AND TERMINATE
 - High School2
 - Some College/University.....3
 - Completed College/University4
- } ENSURE A GOOD MIX

20. Participants in a focus group discussion are asked to voice their opinions and thoughts, how comfortable are you, in sharing your opinions and respectfully disagreeing with others and presenting new perspectives in a discussion? Are you....

- Very Comfortable..... 1
- Comfortable 2
- Fairly or Somewhat Comfortable 3
- Not Very Comfortable..... 4 – THANK AND TERMINATE
- Very Uncomfortable 5 – THANK AND TERMINATE



21. Have you attended a focus group or one to one discussion for which you have received a sum of money, here or elsewhere, in the last year?

Yes.....1 – MAXIMUM 3 RESP. PER GROUP, ASK Q22

No2 – MINIMUM 5 RESP. PER GROUP

22. (ASK ONLY IF RESPONDENT SAID “YES” AT Q21) Could you please tell me the topics discussed in previous focus groups or one to one discussion in which you have attended?

THANK AND TERMINATE IF RESPONDENT HAS PARTICIPATED IN A PREVIOUS FOCUS GROUP OR ONE TO ONE DISCUSSION ON A SIMILAR TOPIC

IMPORTANT:

We offer each participant an \$85.00 cash gift as a token of our appreciation. I should also tell you that the groups will be MONITORED BY A MODERATOR AND MEMBERS OF THE RESEARCH TEAM. Everything you say will be kept confidential

[] CHECK TO INDICATE YOU HAVE READ THE STATEMENT TO THE RESPONDENT.