



Ipsos Public Affairs



Ontario Energy Board
**Qualitative Research:
Small Business Pricing In-Depth
Interviews**

FULL REPORT

January 2018

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OEB SMALL BUSINESS PRICING RESEARCH

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OEB SMALL BUSINESS PRICING RESEARCH

ABOUT THIS PROJECT

ABOUT THIS PROJECT

Background and Objectives



The OEB has identified a need to **better understand Small Business electricity customers in Ontario generally** - although it has some profile information on these customers, there is a desire for a better understanding of who they are, what types of businesses they operate, and how they use electricity in their businesses.

The second and more specific need identified is to **understand reactions to proposed changes to SB electricity pricing and rates in Ontario**.

Proposed changes are as follows:

For small businesses in GS<10 kW class

- Change from kWh volume-based rates to fixed rates (similar to residential customers) since the biggest cost for each customer is the connection.

For small businesses in GS 10-50 kW class

- Change from kWh volume-based rates to demand rates (highest use in the month) since changes in behaviour are more closely linked to costs.

For large businesses in GS>50 kW class

- Charges for distributed generation recognizing that these users may implement new technologies.

ABOUT THIS PROJECT

Methodology - In Depth Interviews



For this particular initiative, Ipsos conducted a series of **15 In-Depth Interviews** with Small Businesses, as this is a more effective means to elicit the required feedback for the objectives identified.

- Each respondent was provided with **pre-interview information** which outlined the proposed changes and potential impacts. Reviewing the deck in advance of the interview was a pre-requisite for all respondents and mitigated the need for OEB staff to be present to provide information, giving each respondent enough time to fully absorb and comprehend the content before their interview.
- The moderator was able to have a discussion about the individual bill **without the bias and comparison of others as in a group setting** - this was particularly important given that there are three different bands of customers we were speaking to. Feedback is richer and much more detailed than in consultation format.
- In-depth interviews are an **ideal methodology for a business audience** in that they can be conducted at a time that is most convenient for the respondent; recruiting and fieldwork was conducted on a rolling basis to maximize participation.

Since the OEB would like to test a TOU GA pricing scheme in the new year, **this first phase of the research was also conducted as a scoping exercise to better understand the universe of small businesses**, in order to aid in recruiting for this second business initiative.

ABOUT THIS PROJECT

Who we spoke to

Because Demand kW does not appear on TOU commercial bills, kWh usage for a monthly bill combined with number of employees were used as proxies to determine which category businesses belonged to. Findings were distinct between the smallest band, and similar between the larger two bands - as such, findings have been grouped accordingly. A mix of customers from utilities across all regions of the province was included. There were no demographic quotas assigned, and the final sample was mostly male.

UNDER 10 KW
6 RESPONDENTS

- Restaurants
- Garage/car repair
- Craft/trade manufacturer
- Professional services
- Internet startup

2-15 employees

10 KW - 50 KW
7 RESPONDENTS

- Restaurant or restaurant/bar
- Farm
- Trade company
- Car dealership
- Manufacturer
- Wholesale distributor

5-50 employees

OVER 50 KW
2 RESPONDENTS

- Retailer(multi-site)
- Hotel/restaurant

11-30 employees

Grouped together as one set of findings

OEB SMALL BUSINESS PRICING RESEARCH
UNDER 10KW

UNDER 10 KW

The smallest businesses struggle less with electricity costs than their larger counterparts



Most were owners or partners of their business and they wear many hats, touching every aspect: they are involved in both the actual work itself (interacting with and providing services to customers) and in overseeing the business' administrative side with only one respondent (a controller) who was completely removed from actually doing the work. Lack of time and manpower/resources was frequently mentioned as being a reality and concern.

There usually have an accountant or bookkeeper but participants keep an eye on their bills, **looking for general consistency month to month**, and any unusual spikes.

Top concerns for the businesses varied: Continuously bringing in new business and chasing new leads, managing plans to expand, managing rising costs (by increasing sales not prices) or generally reducing costs were mentioned. **The minimum wage increase was less applicable** than the larger customer bands because they are less likely to use these workers in their business (salaried employees) and have fewer employees overall.

Electricity use is generally low to minimal: they are gas heated or use gas for cooking, use pneumatic tools, or have an office where they are running computers, office equipment and lights; some have a limited amount of other specialized equipment such as servers or machinery. As such, **electricity costs generally are not of great concern to most within this band, with the two restaurants being notable exceptions** -- their refrigeration usage/costs are high as they need to keep food at a certain temperature 24/7.

UNDER 10 KW In their own words...



I have so much on my plate on a day to day basis that as long as it's something not exorbitant that I really have to look into, why is this such a high price? **As long as it's staying pretty consistent on a month to month basis** I've no other option, basically is the thing. So you pay it.

Professional Service



Well, food costs have gone up, alcohol costs have gone up, taxes have gone up, wages have gone up. **And it just seems every time you turn around, everything's going up.** And we can't put our prices up to match those rates.

Restaurant/Building Owner



Two major problems - **looking for customers, leads and also trying to reduce costs.** Generally when you get enough clients you try to build that pipe as much as you can but you have to become more efficient at what you do. That's what we're trying to do now. Reduce customer acquisition cost - how much it costs to acquire and keep customers. There aren't many costs to manage when you have no income . And I went through months of that, hoping to get a client so we'd have money coming in. It's the difference between hunting and farming. You're a hunter when you're looking for customers.

Internet Startup

UNDER 10 KW

Most operate during regular business hours or according to their customers' behaviour and patterns



There is little opportunity or desire to switch operations to **off-peak**. In some cases, operating beyond business hours would mean having to pay more/overtime. Any alignment of electricity use with off-peak hours is coincidental (e.g. restaurant that's open during off-peak). Seasonal changes in use are related to customer or industry patterns over which businesses have little control.

Some are more sensitive to/value reliability over cost for reasons specific to their businesses, including:

- Their business is **reliant/based on the internet**: VOIP phone lines, internet-based business
- The **potential for loss of revenue** due to a power outage is too great
- **Lower electricity costs generally** leading to less sensitivity

Although customers within this band **characterized their electricity reliability to be very good or excellent**, with few issues / outages, the ones who value reliability most have some type of backup system in place in case of outages.

Some do what they can to conserve energy, but often it is either **not a huge concern** because of the low cost of their bills, or they perceive that it is **not a controllable cost** (employees don't listen/care, can't retrofit or buy new equipment as a renter).

UNDER 10 KW In their own words...



It's regular business hours when we are very busy. We extend a little bit but again, **we were careful in extending our business hours because it also has an impact on payroll** so people would start making extra time then our costs are increased there.

Trade/Manufacturer



If the electricity is down our phones go down and our business is not working and that's a big problem...**Reliability is more important than cost**, absolutely it is.

Professional Services



Reliability [over cost]. It has to be reliable. There was a gas leak a few months ago when they were doing tunnel work. We had to shut down for two days. Lost two days business. If we had a blackout like in 2004, that time we closed for four days. **When you lose that business no one will reimburse you so reliability is important.**

Restaurant



-When we need it we need it, so there's not much we can do there. **I don't have control** over when the air compressor comes on and some of the stuff that does use a little bit more hydro, there's not much I can do there.

Garage/Car Repair

UNDER 10 KW

Most do not actively engage in formal CDM



Since their usage and costs are relatively low, they **perceive that there is limited opportunity or need for electricity conservation in their businesses.** A few have taken advantage of lighting programs through Save on Energy.

There were multiple reasons for not participating in government-sponsored CDM: a general lack of time or interest, lack of awareness of available programs, an incentive program that has ended, a lack of desire to go through the application process, a reluctance or lack of available funds for capital improvements, or an ROI payback period that is too long are all barriers to participation on Save on Energy programs.

Expected use of the electricity system in future was expected to remain stable for most (many are established businesses), although a few are considering expanding their operations.

They are less likely to have interest in, or opportunity for, onsite generation. This is because they tend to rent their office/business space, because of the initial capital investment involved, poor word of mouth on the program, or their usage is relatively small and there is no compelling need to offset their costs. They tend to think of generating power as more about backup than feeding into the grid. Awareness of the mechanics of net metering was mixed to low and was mostly not relevant or appealing.

The idea of some type of energy storage from the grid during off-peak hours to power their operations was more appealing than onsite generation.

UNDER 10 KW In their own words...



I have heard of such things. I've never seriously considered it. And with my limited knowledge of that, I think that most of that still costs [a lot]. It's intriguing, but at this point, **I haven't heard anybody tell me that it's a profitable idea at that point.**

Restaurant



In the tech service world, that means generators for backups. I've never thought about solar. I think as soon as I need more reliability that I can get from batteries, I need to move some place that can just give me those things [like generators]

Internet Startup



Cost there, there was some program at one time where hydro would pay you back so I looked into that and then there was so many different people that I heard stories of, had all these panels and everything set up and then they couldn't get hooked in...**they spent all of that money and they weren't even able to get into the grid.**

Garage/Car Repair



Yeah, I read in the papers somewhere about having a backup you do with your computer. **It could be charged during off peak times and use on peak times** -- something that would be easy to install that is a good price point, that we could see it working right away. We could see it- helping our bills be the same or... yeah. **It would be attractive.**

Trade/Manufacturer

UNDER 10 KW

Overall feedback on the proposed changes was more positive than that of their larger counterparts



The businesses in this band tend to have softer/more favourable opinions on how the sector is managed based on lower general awareness. The proposed changes were positively received as being fair and transparent, as these businesses do not wish to be paying in some form for others and many accept that they may have to pay more as a result of the changes. They trust and are appreciative that the OEB is capable of managing these changes.

Participants appreciated the background and contextual information provided --in particular, the analogies about Capacity, Demand and Consumption. However distribution charges, and the reason why connection is the biggest cost to the system for these customers, was poorly understood.

Most stated that their businesses could tolerate a small increase although they may have to pass any increases on to their customers in the form of higher prices. Notably, the two restaurant respondents stated that they do not want to pay an increase of any size, both because they perceive that it is unfair and because it is becoming increasingly unaffordable to operate their business all around.

For a few, they believed that the rules should consider sector-specific consideration or help -- restaurants feel it is increasingly expensive to operate in Ontario to the point where they may be forced to close their business. The internet/technology company felt there should be some form of relief or incentivization to stay in Ontario as it is the future of industry in Ontario. They state that although it would be better to move their operations to Silicon Valley because of the much greater availability of venture capital, they would like to stay in Ontario.

UNDER 10 KW

In their own words...



It could also be that I'm paying for somebody else's service and I would like to know if that's the case and I would like to see that change and I think it should be working on the opposite way as well. It will help me [price] my product better if I know that being charged the right amount, because it doesn't change now, it may change later. I mean, maybe I'm not in a good position as of now and I'm not sure if I'm conveying that correctly but I think it's important to yeah, to be paying for what you're consuming, if it's more or less. It's a matter of fairness and transparency.

Trade/Manufacturer



They want to make sure that everyone is paying for the usage, or for what they're using within the system, so if a larger company is using a lot more of the system that they're going to be paying the proper rate towards it. They're making sure that small, medium, large size companies are, the energy that they use, try to lower their bill, try to lower the amount of energy that they use. **They're monitoring that, basically and they're trying to help figure out a way that the demand is decreased on the system.**

Professional Services



The future is in tech. Not just computers but also biotech. It's like shred grants. The classic Canadian tech grant. **If you can prove that you're advancing tech or research, then there should be something more for you.** Because you're basically sacrificing today in hopes of tomorrow. Those hopes don't always pan out. But it's different than other day-to-day businesses.

Internet Startup

UNDER 10 KW

Clear communication and simple incentivization would help mitigate potential impacts on their businesses



The information in its current format (copy-heavy) was appreciated but since businesses are starved for time, having it provided in a more at-a-glance, graphic format would be appreciated. They are looking to understand the effect of the changes for their business, not become experts on the energy sector. Having the information come from or be cited by a neutral third party source (such as a university) was also of interest.

Since the upfront costs and perceived complicated process/lack of relevance of onsite generation is a barrier, other ideas and suggestions of greater relevance and appeal were made:

- **Storage:** having a simple device at low to no cost available that could easily store electricity from the grid onsite would be a welcome innovation.
- **Technology-enabled energy management/tracking** such as a Nest device
- Having the change take place **gradually over time** was of interest

These businesses are comforted and reassured to know that the OEB is thinking about the evolving grid and considering how to evolve pricing to reflect new technologies, and to be more fair.

Some believe that new technologies will help mitigate costs down the road and the main barriers to adoption are investment of time, mental energy and cost. Getting help navigating these is of interest although this group is more vague on the particulars of what this might look like.

UNDER 10 KW

In their own words...



I do pay the hydro bill but I'm not researching electricity. That's not our business, right? We just care that it's an instrument that helps our business run but our attention is not focused on those little things, so **it could be an image or a chart that will kind of summarize and simplify what is happening and how, and what our options are will be really useful in a way that could be put into practical terms** because it's not a concept that everyone is familiar with so if you can find a middle point in which everyone can understand what you're trying to explain rather than become experts...It could possibly be like a big picture and then maybe highlight where I am, where is my business in the big picture.

Trade/Manufacturer



-I don't like to see rate increase. But if it comes, what other choice do I have?...Gradually is better than you get a jump right away from...within two, three months paying \$600 instead of \$400. **If it's gradually you don't feel it.**

Restaurant



Maybe putting in some sort of **Nest system like I was talking about before, to track my usage at different times.** What it can do, from what I understand, it can monitor that maybe my electricity is being used at a certain time when it doesn't need to be so I can monitor that and show me that I should be reducing heat or whatever it might at certain times, so keeping my costs down.

Professional Services

OEB SMALL BUSINESS PRICING RESEARCH

10KW AND OVER

10-50KW & 50KW+

Businesses 10-50kW struggle more with costs generally as well as electricity specifically



The “larger small” businesses in Ontario are facing a number of pressures on many fronts and the cost of electricity is a huge consideration for them. It is often on the one top two or three costs for their business, and they perceive that they have risen continuously over the last several years.

Most were owners of the business and they are less involved in the operations or doing of the work, and have more of an administrative/oversight role, although some are still customer-facing. They are more likely to have a separate accountant or bookkeeper in charge of bill tracking and payment; however as with smaller businesses they still monitor the bills.

This band of participants is much more likely to be affected by the minimum wage hike: they have some or multiple employees whose wages will rise. The increase also has a ripple effect on the rest of their employee wages, as in those who made more than the lowest paid employees expect a comparable increase -- that is, if they were making more to begin with they continue to expect to do so. The increase is expected to have an enormous impact on profitability, and some companies are already struggling with profitability. However, the full impact is yet to be determined given that it is still early.

Other major concerns include competition and industry consolidation, a decreasing labour pool, rising overall costs such as rent, supplies/equipment and other utilities, and barriers/issues with all levels of government (such as municipal regulations in running a business).

10-50KW & 50KW+ In their own words...



Definitely minimum wage hike is going to cost me a fortune, **we're a profitable good business and you know, minimum wage is going to literally wipe out all of our profit and put us in the deficit situation basically overnight.** I don't think anybody cares. I've been a Liberal for a longtime but I feel that the government has done something to try to fix something else and don't get me wrong, I understand why they want to do it, or why they want to make other people's lives better and I think they should, but they just did it on my back and my colleagues back. The people who are trying to employ people and things like that and I find that very difficult to swallow.

Manufacturer



Yeah, it's really the marketplace as well because we effectively sell to other institutions. So we will sell to government and universities and that sort of place. And there's really a pressure at that level to restrict budgets and so it reflects on our business as well. Also, because of that, there's a tendency to consolidate our industry competitors so **we're one of the last few independent Canadian distributors left in our business compared to most of the American multi-nationals.** So there's competitive issues but cost is, internal costs and expenses, where we have little control over the marketplace, the really only controlled areas we have are labor cost and you know, things like utilities and day-to-day expenses.

Wholesale Distributor

10-50KW & 50KW+

These businesses have little control over their peak consumption or demand



The businesses in this customer band use energy in a number of different contexts -- heating and cooking are generally gas but electricity is widely used -- air conditioning, refrigeration, lighting, operating power tools, farming equipment, and manufacturing machinery.

The particulars of their business operations dictate their hours -- restaurants and retailers have certain hours during the day, certain days of the week and certain times of year of peak traffic, when they have the most customers and electricity demand usage is highest during these points accordingly. Agricultural businesses need to operate power in a way that optimizes the health of their livestock.

A few (manufacturing) have some flexibility to operate off-peak but feel conflicted about the possibility of changing to overnight or weekend shifts to save money -- they state that they would like to maintain a quality of life for their workers -- in order to align with the benefits of operating a business in Ontario: overall quality of life, social fabric and sense of pride for themselves and their workers.

For a few who have the option to move their business elsewhere, they are continuing to weigh the pros and cons of this and feel that they may get to a tipping point where the cost of doing business in Ontario is too high, and move their operations elsewhere -- for these businesses the cost of electricity is one of the key considerations.

Most characterize their electricity reliability as very good to excellent, with few issues. A few have backup generators or storage in some form in case of any outages.

10-50KW & 50KW+ In their own words...



Zero [control over peak], because we're connecting with customers across Canada so a switchboard would be open from 8-6 and we can't start earlier because our customers aren't there and we can't end earlier because the customers aren't there so **we really have no control whatsoever on the timing.**

Wholesale Distributor



In hospitality you're at the customer's mercy. During summer when we have A/C running I try to stay away from peak hours, the large consumption cost is at that time. So I try to put them on in the morning and then throw them on again later. But sometimes you can't control it. you have to supply the demand.

Hotel/Restaurant



Our business is basically online. All of our clients are basically online. I am no longer doing business in the province of Ontario, I'm not selling to people in the province of Ontario. 90% of my goods are leaving this province. And **if you make it unaffordable for me to do business and to manufacture in this province I will take my business, my jobs, my capital everything to another jurisdiction who is willing to do it at an affordable rate. That's bottom line, what it is. Because it's just not fair that we keep having to pay over and over and over again.** Look, I don't want to get into what our government has done but there has been a lot of waste. If you take all of that waste and you divide it out amongst everybody's bills we wouldn't have had to say let's take 25% off of everybody bills and pushed it into the future and we'll pay it later on.

Manufacturing

10-50KW & 50KW+

Many have taken steps to control their electricity usage including formal programs



Internal or self-directed initiatives include operational or behavioural changes (habits around turning lights and equipment off, adjusting temperatures etc.) although employee uptake of these initiatives can be challenging. a few have also purchased more energy efficient equipment but did not take advantage of a retrofit incentive.

Several have taken advantage of Save on Energy, in particular the lighting programs. Results from this initiative were mixed -- one or two noticed tangible savings on their bills with others more vague on whether or not the lighting had any effect. Others perceive that any savings realized as a result of conservation efforts are offset by rising electricity costs, and this is a point of frustration.

Participation in other Save on Energy programs is limited. For this band it is due to a lack of awareness of programs outside lighting, or that non-lighting programs are less relevant. However a key difference is that unlike their smaller counterparts, they are more willing to invest/pay out of pocket for equipment or other improvements that would reduce costs, as is demonstrated by their research into solar generation.

There was little interest or participation in third party electricity savings programs -- most research was conducted on their own ad hoc.

They envisioned the role of the OEB to facilitate audits or run/inform other programs, either directly or through local utilities, in order to mitigate potential rate impacts.

10-50KW & 50KW+ In their own words...



The biggest thing is **in the parts of the building that aren't getting used all the time, the lights are off. We turn everything down...**the banquet facility we don't need any lights on down there when it's not being used. Or in staff washroom in the basement, when they leave shut it off, there's no reason having a light on when there's nobody going down there. It's trying to get everyone to treat it like home. When you leave a room, shut the light off. If you're not in there there's no reason for it to be there.

Bar/Restaurant



So from the audit, all they need to do is to have a list of authorized personnel or contractors that can do the audit, offer it to everyone for free, and then **let us see the split of our usage and then make recommendations on that.** I mean the contractors can make recommendations on if you haven't changed your bulbs, this is what you would do and this is what you would save. I mean it's all dollars and cents, it's even numbers.

Wholesale Distributor



On our own. Everything has been on our own. So there's been- I spoke with somebody that I met in a big box DIY stores and they conducted sort of a phone interview where they just said this is what we can do and then they look at a Google Map image of your property to see what way you face and how large your roof is to tell you what your ROI is and how quickly you're going to see that back and so [coughs] in that scenario, it didn't make sense for us but that was a conversation we had...we've spoken to contractors.

Small Retailer (multisite)

10-50KW & 50KW+

Generation is of great interest but most were reluctant to make the commitment to purchase their own



Many have looked seriously into onsite generation --specifically, solar panels although only one actually went through with their purchase and installation --not to power their own facility but to generate revenue for the company. Most conducted research on their own and not through their utility. Other forms of generation were not considered or they were not aware of them.

The most prevalent reason was because the ROI/payback period on the initial investment was very long and the math did not add up in terms of being worthwhile -- they calculated the paybacks to be over 10-20 years and they would prefer a much shorter period. Although net metering is better understood than with their smaller counterparts and the idea is appealing, the capital cost is a barrier.

There were a few other barriers mentioned: A perceived difficult and complicated process; A lack of trust in the suppliers for these products and services; Poor word of mouth from others about their experience with solar panels; Desire to use any available funds to grow core business instead.

Rather than having business conduct research on their own, or rely on contractors or WOM, customers were open to **the OEB stepping in and playing a role:** Better incentivization was of interest and a key consideration, but given the other issues with generation, the OEB could help provide information and navigate the process -- thereby increasing trust and providing reassurance of a worthwhile ROI.

10-50KW & 50KW+ In their own words...



We've got as far as talking to some solar contractors and **we're just not at a point yet where, it's the cash outlay and the return on investment is too long** to be able to justify that for us. We just can't afford it.

Retailer (Multisite)



We have considered the solar...having your own. But we didn't get on that bandwagon. A lot of the companies selling that system...were fly-by-night. **It was hard to know who to trust.** Some neighbours have done that and we've watched their progress and seen what the savings are and what the power generated has been. Seemed popular a few years ago but I haven't seen any lately.

Farm



I've had some quotes for putting solar panels on the roof. I probably would have done it if...my roof is due to be replaced in the next couple years. **Putting solar panels on my business roof and then take it off in a couple years would be very expensive.** So that's the only reason I haven't done it. but I think it's the right approach. The right thing to do.

Car dealership

10-50KW & 50KW+

Feedback on the proposed changes was neutral to negative driven by poor perceptions of the energy sector in Ontario



Many had doubts and concerns about the proposed rate designs: the motivation behind the changes, the ability to effectively manage the change, and ultimately, the ability of the OEB / government to manage the future of the electricity system were among the reasons for their reactions, which were often visceral and emotional. Even if they hope or anticipate that their costs will go down, some feel strongly that small businesses should not be shouldering the burden of the redistribution of costs. There is a prevailing sense for these respondents that ‘it’s on our backs’.

Some were open to the changes and although they don’t wish for a rate increase, they understand the rationale for it. However, the benefits of a demand-based pricing system to them and the future was not always clear to some, and further feel that since they have no control over their peak demand, that this is an unfair change. A flat, fixed cost to help with predictability and budgeting would be preferred by a few.

Others were blunt in their feedback in feeling that they should not be subjected to a rate increase, given the many challenges they already face as small businesses. These participants feel they have a disproportionate and unfair burden in shouldering the many high costs associated with running a business in Ontario. Their perception is that other jurisdictions have better and more favourable conditions in which to run a business. Although the background information provided was appreciated, the information on the proposed changes felt like justification of a plan that is already in motion.

Participants were open to having impacts be lessened by the OEB and their ideas were similar to the smaller band of respondents; however the general feedback was that they would prefer that their costs should not go up to begin with.

10-50KW & 50KW+ In their own words...



We're spending way too much at the top and they're spending too much all the way down and the **end user is the one that's getting stuck paying this**, it's just negligence...Whenever I see hydro that's how my mind starts.

Restaurant/Bar



There's no reason we should have to pay more. The peak uses is when we pay the most amount of money. I'd much prefer to see an average. **Some businesses have no control over usage during peak or off hours...**My concern is they often come out with great plans to help you save money but if in the long run the investment impacts us. I fear they'll suggest we put in a generator to use during our peak times so we're not charged for energy at that time, then I'm gonna have another cost, the generator.

Restaurant



I thought that somebody would come up with something that, whatever the impact would be, it would be decreasing our rates because again, **we're not a heavy user and I feel like we're being abused, maybe I'm being too dramatic but I feel like in a certain sense that we're really carrying the weight for you know, the heavier users.** I don't know if they're paying their way, I have no proof of that but that's how I feel...I don't know what the wording would be, almost hiding, I felt like this was some sort of rationale, that they're going to do what they're going to do, and your bill will be going up. That was the feeling of the second half of the homework.

Wholesale Distributor

10-50KW & 50KW+

Many are interested in new/emerging technologies and the benefits of clean energy



Respondents believe and recognize that there will be technological changes in future such that dependence on the grid in its current form will decrease with time -- for example, smart grid technology. While electricity use is expected to remain stable for some, others state that they will be expanding and/or expect their electricity needs to evolve with time.

Environmental benefits and impacts of clean energy were discussed and these were positively perceived -- fewer smog days and the general health of the planet. Using green energy is also a marketing or social responsibility tool for companies. However, it's the management of them in Ontario that is a concern.

Given that use of electricity grid overall is expected to increase because of increased electrification (cars, bikes etc.), the idea of offsetting / incentivizing this with lower consumption and demand overall is relevant to hear. Having the OEB manage this to ensure that there is enough power when needed is a key function and deliverable and was reassuring to read about.

The Capacity Reserve Charge made sense for those larger businesses (50kW+) who were asked about it, although feedback was received that it should be revisited periodically to ensure that needs continue to remain stable.

10-50KW & 50KW+ In their own words...



So really, the old school thinking was to, you know, we need baseload. **Really what you need is dynamic load that can react to different loads. So you know, with the, you can now make machines that turn themselves on and off.** They may not be, you know things like dishwashers. You don't really need to run your dishwasher at any specific time for most people; you just need to turn it on. So if you can talk to the generating station saying, "Okay, There's not a lot of load right now. I'll start the dishes now." And you do that over, you know, the house...in Ontario, you don't need so much energy for storage.

Restaurant



...stopping the coal generated power plants of Ontario, I physically really understand the benefits that has created for our society locally because we have much cleaner air, nobody can argue that. By shutting down those power plants the number of smog days have gone from 30 in the year to almost none in most summers. **That was, in my opinion, a great thing that we did.**

Manufacturer



At that point, I don't know how much everybody will need to depend on a reserve or feel comfortable paying a reserve charge at that point. At some point, **the OEB will need to say we don't need to continue to generate as much power** because everyone is doing that on their own. -

Retailer (Multisite)

OEB SMALL BUSINESS PRICING RESEARCH

SUMMARY & TAKEAWAYS

SUMMARY

Comparison of Customer Bands

UNDER 10KW

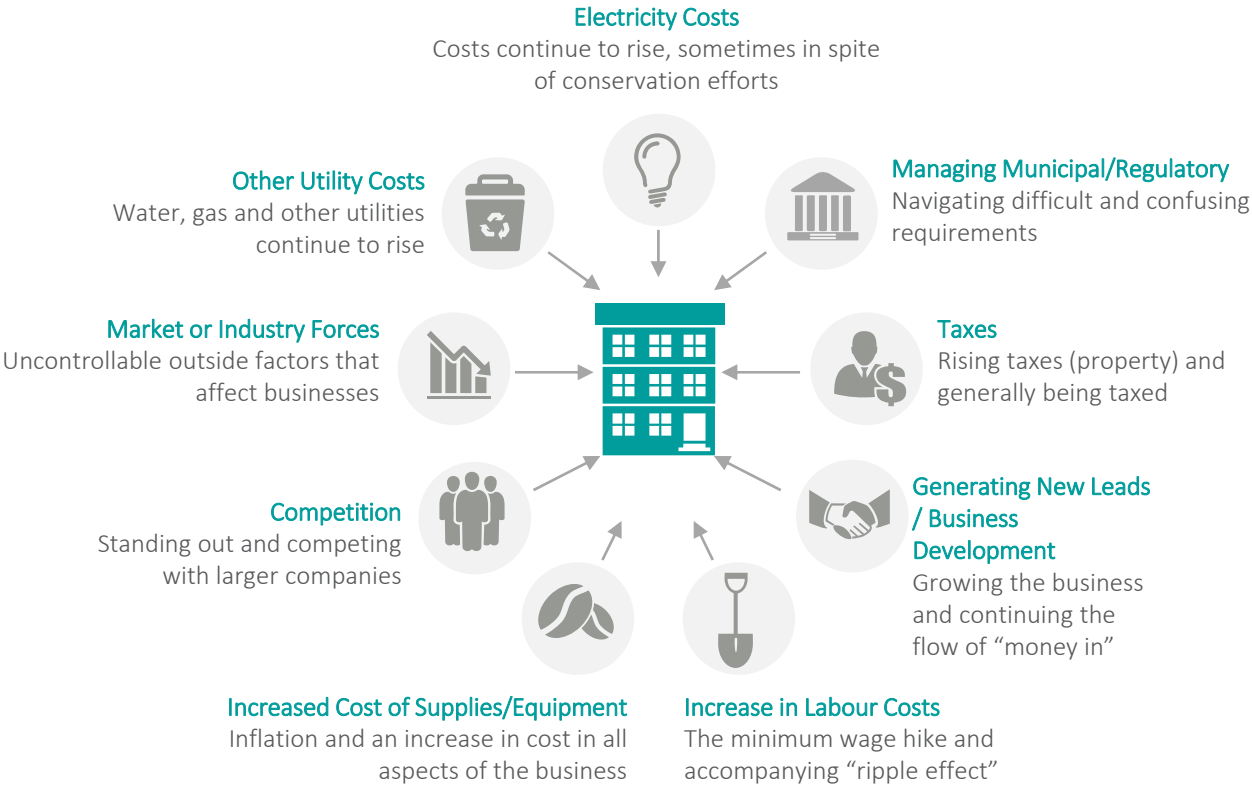
- Owner/Operator
- Cost of electricity is less of a concern (bill in 100s); reliability a greater concern
- Expected use of electricity to remain stable unless there are plans to expand
- Less interested in and likely to participate in onsite generation or formal CDM programs, or to spend any funds out of pocket
- Little interest in generating power; more in storage
- Were positive to neutral in their feedback on the proposed changes; have softer and more positive views of the energy sector in Ontario based on lower awareness (except restaurants)
- Effective communication, receiving information, and incentivizing low cost CDM initiatives are of interest and could help mitigate impacts of any rate changes

10KW-50KW, 50KW+

- Owner/Administrator
- Cost of electricity is of great concern along with other costs of operating a business in Ontario
- Expected consumption of electricity to remain stable but are very interested in new and emerging technologies that may decrease dependence on the grid
- More interested, likely and willing to pay out of pocket for onsite generation or formal CDM programs; however current ROI/payback periods are not worthwhile
- More interest in generating power but have not yet made the investment/commitment
- Were neutral to negative in their feedback on proposed changes; have more negative views on the energy sector in Ontario based on their electricity costs and perceived government mismanagement
- Mitigating impacts is of little interest as they would simply like to not have an increase to their bills

Small Business Challenges in Ontario

- Many businesses, particularly the “larger small” businesses, are facing numerous challenges in running their business in Ontario
- A rate increase would be an added stress and barrier to profitability and success



Small Business Challenges in Ontario



It's not good. Especially with the new minimum wage going up to \$15. It will be hard for us to compete with those franchises. The rent is a big concern. We're in downtown Ottawa which is a prime location. So the rent always goes up. And if you won't pay, those big franchises will take over. **It doesn't look good for me. It's very hard.** I put in 70 hours a week. I could go to work somewhere else for 70 hours and make more money. But I've been here all these years. It's hard to change. You say, "Okay, I'll do it a few more years and maybe that's it."



SUMMARY

Key takeaways - Distribution based rate design (Under 10kW)



- Changing to a distribution cost-based system based on a fixed cost can be tolerated by most of these smallest customers since their usage is relatively low, but **providing more information to the consumer is recommended** --specifically, why the cost of connection is higher for smaller customers --as the relationship/effect is currently poorly understood or poorly received. Providing a clear definition of distribution is also recommended since we know from other research that awareness and comprehension of the relationship between distribution/delivery charges and infrastructure is low.
- **Emphasis should be placed on fairness and transparency:** everyone is paying for their own costs to the system and the new rate design is leveling the playing field.
- **Background information and overall benefit to the grid/system if any should also be highlighted;** however the information should be succinct and summarative, preferably in a graphic-heavy format.
- For the **restaurant industry, a sector-based relief program or exemption** should be considered given the poor reaction to the proposed rate design, and the negative feedback received from these respondents. Otherwise, most are in agreement that these changes should be uniform across the province.
- There is some interest in CDM but there is less relevance to this band because of lower costs, a lack of time, and low interest/ability in investing funds upfront to realize savings down the road. **Immediacy and ease are the key deliverables for this band as it relates to CDM.**

SUMMARY

Key takeaways - Demand based rate design (10kW - 50kW)



- A change to a demand-based rate design that would re-distribute costs and increase rates, even for only a small minority, **has the potential to be very poorly received by all** given that many have poor pre-conceived notions about the energy sector in Ontario -- in particular, perceived government mismanagement of it leading to high electricity prices. This is also because small businesses are already struggling with rising costs and other pressures of running a business which they perceive is unique to Ontario.
- **Timing of any changes is also a crucial component** given that 2016 was an assessment year for property taxes (resulting in higher taxes or rent) and that the minimum wage increase has just taken place -- businesses need time to absorb the impact of these changes before being asked to potentially absorb even more.
- Most state that they have little control over when their businesses experience peak demand, and as such, a **system based on incentivizing lower or changed peak demand feels unfair**.
- For those who may be able to change their usage/demand, an important component of conducting business in Ontario is its quality of life: **incentivizing/encouraging off peak electricity use even further would mean the possibility of eroding this for some workers**. As well, this does not change the overall volume of their peak demand, regardless of when it's used.
- Helping these customers **understand the relationship between demand and the grid**, and potential benefits to their businesses and the planet, is relevant to hear both on an economic and environmental level.
- This band is more open and willing to invest in CDM, but **many need a small push forward or alternatives to current programs/ideas** that make better economic sense.

SUMMARY

Key takeaways - Role of OEB



The OEB could mitigate impacts in a few core areas:

- **Information:** Providing background information on the sector, reasons for proposed rate design changes, and the long term benefits to the grid, the planet, and ultimately consumers, is a key deliverable. This is important to assure consumers of responsible management by the government and OEB -- in its absence, it may have the unintended consequence of simply seeming like another rate increase. The information provided should assume a low general awareness of the sector, be in layman's language, and in an easy-to-digest graphic format. Ideally, it would dispel the misconceptions some have about the sector.
- **Facilitation:** Much of the feedback on CDM centred on poor WOM, difficulty in navigating available programs, or the lack of a compelling business case. The OEB could play a vital role in helping consumers make informed decisions on which solutions are appropriate for their businesses, and act as a bridge between consumers and available programs.
- **Incentivization** Many are open to the idea of CDM including onsite generation or storage, technology-enabled conservation, and new/emerging technologies. Program development (in conjunction with IESO) or other forms of incentives such as in the form of credits or sector-based grants could help in uptake of CDM -- particularly by those who are on the fence to begin with.
- **Graduated increase:** Should the OEB move ahead with increases to certain customers, the impact could be mitigated by rolling the increase out over time, instead of all at once.

Emphasizing the OEB's role as an independent and trustworthy regulator looking out for consumers' best interests is key, since trust in third parties and government can be low and WOM in the energy sector poor.

SUMMARY

Recommendation on Recruiting



- **The research was useful in understanding best practices in recruiting these customers.** Since demand kW does not appear on most TOU bills, we asked respondents for their kWh usage but this was also not a reliable method of streaming as it is essentially self-reporting based on a poorly understood bill that some found confusing. As such, our recruiting recommendation is as follows:
 - Continuing to use number of employees as a proxy: 2-15 for Under 10kW, 16-50 for 10kW-50kW, 30 employees or more for 50kW+
 - Combine this with the total cost of the bill: This is recommended as customers are more familiar with the cost of their monthly bills than they are with usage. The dollar amounts to be used for recruiting would need to be confirmed/calculated based on rates, but a ceiling of in the hundreds for the smallest band and a minimum in the thousands for the larger bands might be relevant guidelines.
 - Caveats to this include the effect of Fair Hydro Plan and varying delivery charges by class/LDC on the cost overall bills
- **A general rule of thumb for electricity sector studies is that the larger the customer, the harder they can be to find:** identifying the individual in charge of/interested in/paying the energy bills can be challenging. One reason for the difficulty is the size of the respective universe: there are fewer large consumers of electricity and a greater number of smaller companies. Finding respondents who are willing to cooperate, and allowed by their organizations to participate in market research studies, can also be challenges.

SUMMARY

Next Steps



Small Business Pricing plan:

- Since feedback was gathered in the absence of concrete numbers in terms of how much of a rate increase small business customers might see, **further quantitative testing on Small Business Pricing from a larger sample of these customers with potential rate increases calculated is recommended.** This could be facilitated via Ipsos' quantitative Consumer Panel, or via a non-panel quantitative survey. The benefits of this would be:
 - An opportunity for the OEB to refine and distill the information provided into a survey format that would mimic the more digestible format that respondents would like
 - To confirm the findings from the qualitative study
 - To understand the relative magnitude of these opinions

TOU-based GA pricing Scheme for Class B non-RPP customers:

- For **using the proxies of price and employee size to recruit study participants is recommended.**
- Testing the information **quantitatively is preferable to understand both findings and the magnitude of opinions.** Should a pre-test of the information be required, this can be accomplished via a small number of In-Depth Interviews or Cognitive Interviews.