

Ministry of Energy

Office of the Minister

77 Grenville Street, 10th Floor
Toronto ON M7A 2C1
Tel.: 416-327-6758

Ministère de l'Énergie

Bureau du ministre

77, rue Grenville, 10^e étage
Toronto ON M7A 2C1
Tél. : 416-327-6758



MC-994-2021-732

November 16, 2021

Ms Susanna Zagar
Chief Executive Officer
Ontario Energy Board
1600—120 Adelaide Street West
Toronto ON M5H 1T1

Re: Design(s) of an Optional Enhanced Time-of-Use Rate to Enable Additional Customer Choice

Dear Ms Zagar:

I write in my capacity as the Minister of Energy (the “Minister”) to exercise the statutory power I have under section 35 of the *Ontario Energy Board Act, 1998* (the “Act”) to require the Ontario Energy Board (“OEB”) to examine, report back and provide advice to the Ministry of Energy (the “Ministry”) with respect to the energy policy outlined below.

Background

Since the introduction of Customer Choice for the first time in Ontario on November 1, 2020, most residential and small business customers have a choice in selecting the electricity pricing plan that best suits their lifestyle or business – time-of-use or tiered. Customer Choice is part of the government’s long-term plan to give Ontarians more choice and control over their electricity bills.

I would like to acknowledge the OEB’s efforts to ensure that the Regulated Price Plan (RPP) can evolve to respond to these broader trends and priorities. In 2015, the OEB developed a five-point roadmap to review and redesign the RPP to respond to policy objectives, improve system efficiency, and give consumers greater choice and control. To achieve these objectives, the OEB commissioned four residential pricing pilots with various local distribution companies (LDCs) to test ten new price structures.

Among these was an opt-in low-overnight pricing pilot, where participants accepted a higher on-peak electricity price in exchange for an ultra-low off-peak price. The OEB’s recently released Regulated Price Plan Meta-Analysis notes that the overnight rate structure has the potential to contribute to decarbonization, while providing more customer choice and opportunities to save money.

.../cont'd

Over the coming years, electrification of emissions-intensive sectors is expected to provide opportunities to reduce province-wide emissions. This trend will also put pressure on the electricity grid. There is an opportunity to consider new rate designs that could anticipate increased electrification and support the decarbonization of the economy, such as by shifting electricity loads to lower-demand overnight periods when Ontario has more electricity available and electricity is generated largely from non-emitting sources. Shifting loads to overnight periods may also have the added benefit of increasing efficiency in Ontario's electricity grid.

To this end, I respectfully require you to examine, report back, and provide advice and information to the Ministry as set out below.

Information and Report-Back, Timing

Pursuant to my authority under section 35 of the Act, I ask that the OEB report back and advise on the design(s) of an optional enhanced time of use rate to further incent demand-shifting away from peak periods to lower-demand periods. The OEB should consider the following objectives in developing rate design options: incenting electricity usage behaviour that will benefit the electricity system under anticipated increased electrification and providing value for customers and with consideration for overall ratepayer impacts.

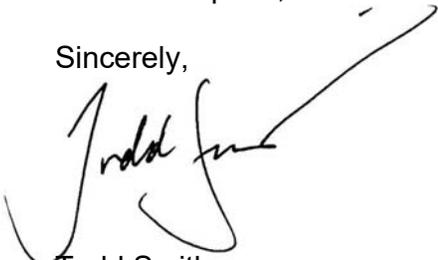
In developing the rate design options, I ask that the OEB include the following:

1. Defining the price ratios, price periods, and seasons that apply to the rate design option(s).
2. Estimating the average revenue to be recovered by the rate design option(s), bill impacts, and expected shift in peak demand under different enrollment assumptions.
3. Assessing the risks of under-recovery and options to address.

In conducting its work on this matter it will be important that the OEB continue to engage with the Independent Electricity System Operator (IESO), as needed, to ensure that the evaluation of designs considers not only cost but also reliability and adequacy of the provincial system to meet demand.

It is my expectation that the OEB will report back and provide its advice to the Ministry no later than April 1, 2022.

Sincerely,



Todd Smith
Minister

- c: David Donovan, Chief of Staff to the Minister of Energy
Stephen Rhodes, Deputy Minister of Energy
Donna Glassman, Legal Director, Ministry of Energy
Kelly Brown, Assistant Deputy Minister, Conservation and Renewable Energy