

Ministry of Energy

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MC-994-2022-294

April 12, 2022

Ms Susanna Zagar
Chief Executive Officer
Ontario Energy Board
2300 Yonge Street, 27th Floor
PO Box 2319
Toronto ON M4P 1E4

Re: The Ontario Energy Board's Report on the Design of an Optional Enhanced Time-of-Use Price

Dear Ms Zagar:

I would like to thank you and your team at the Ontario Energy Board (OEB) for your efforts in examining and providing advice on the design of a new time-of-use (TOU) price plan. I have read with interest the report, "Design of an Optional Enhanced Time-of-Use Price," which proposes an ultra-low overnight electricity rate designed to lower customer electricity bills, reduce system costs, and help anticipate and prepare for increased electrification and decarbonization.

I am encouraged by the positive interest that this proposal has received from the broader public, those with a keen interest in sustainability and driving down electricity costs, and potential and current electric vehicle users. Our government has secured historic investments in Ontario's automotive sector, including over \$5 billion of investment in electric vehicle manufacturing. This new price plan could be an important way to support households who choose to purchase or lease Made-in-Ontario electric vehicles.

The proposed optional price plan offers a year-round ultra-low overnight rate from 11:00 pm to 7:00 am for households, small businesses and farms. This price plan would incentivize shifting demand away from peak demand periods to low demand periods when there is often excess generation from intermittent renewables. The OEB expects a shift in demand will provide benefits to the electricity system benefiting all electricity consumers, not just those who choose this price plan. In the high-uptake scenario, OEB staff forecast a peak demand reduction of 40 MW and potential capacity savings of \$5.7 million per year. Furthermore, the plan would also offer particular benefits to electric vehicle users who can easily shift their charging to overnight periods and benefit from average bill savings of 5 per cent a month. This represents over \$90 a year in savings on fuel costs.

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I appreciate that the price plan, as proposed by the OEB, would provide greater value and control over electricity bills for consumers who can adjust their consumption to overnight periods. This includes consumers with shiftable loads such as electric vehicles, electric heating and cooling, and smart appliances, as well as those with access to energy storage technologies. Interest in the proposed price plan is expected to increase over time as more Ontarians adopt these technologies. Setting in place this price plan would send the right signals to the market and supports a more efficient sustainable electricity system for everyone.

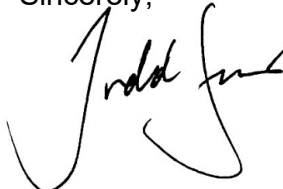
This price plan also helps to address concerns raised by the Auditor General in her 2014 Report that critiqued the previous government's approach to TOU pricing.

As you may be aware, the ministry has released a survey to complement the OEB's report to gather insight into local distribution company costs and implementation considerations. The ministry will consider this information, along with feedback from our recent Environmental Registry of Ontario public consultation, as we look toward the final rate design and implementation details, including any regulatory changes that may be needed to support implementation of the new price plan by April 2023.

In closing, I would also like to thank the many engaged stakeholders who took the time to provide feedback on the proposed design, as well as the Independent Electricity System Operator for supporting the OEB in its work. This is a significant step forward in enabling us to expand customer choice. Our government believes consumers deserve more options to find a price plan that suits their needs. This new price plan, featuring an ultra-low overnight rate, would benefit a broad range of consumers, such as electric vehicle users, other residential consumers with lifestyles that lead to more electricity consumption at night, or small businesses and farms that can shift some of their electricity consumption.

Thank you again for this report. I look forward to continuing to work with you and other partners in implementing this proposed price plan and further our efforts on innovative solutions that support electrification and decarbonization in Ontario.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Smith", with a long, sweeping underline that extends to the right.

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, Ministry of Energy
- Lesley Gallinger, President & CEO, Independent Electricity System Operator