ONTARIO ENERGY BOARD

**OEB NON-RPP
CLASS B PILOT PROGRAM**

**Statement
of Interest**

**OCTOBER 6, 2022**

# Introduction

**Background**

Non-Regulated Price Plan (RPP) Class B consumers are large commercial and small industrial consumers who are currently charged for the electricity commodity based on the Hourly Ontario Energy Price (HOEP), together with a volumetric ($/MWh) Global Adjustment (GA) charge that is set each month by the Independent Electricity System Operator (IESO).

In a November 15, 2021, [Mandate Letter](https://www.oeb.ca/sites/default/files/mandate-letter-from-the-Minister-of-Energy-20211115-en.pdf) from the Minister of Energy, the Ontario Energy Board (OEB) was asked to work with the IESO to develop a plan to design and implement a pricing pilot to assess the benefits of an alternative GA pricing model for non-RPP Class B consumers.

In response, the OEB consulted with the IESO and has started to create a program as requested. A key element of this program is to procure and manage a set of proponent-developed pricing pilot projects. An overview of the program and a presentation providing additional details were shared with stakeholders and is available on the [OEB’s Engage with Us website](https://engagewithus.oeb.ca/dynamic-pricing-pilot). This program is divided into five phases. The first phase of the program (Phase 1: Stakeholder Consultation) has concluded, and Phase 2: Application Process is beginning.

To expedite the application process, the OEB is inviting Statements of Interest (SOI) from potential proponents to design, implement and evaluate pilots that will test alternatives to the current commodity pricing regime for non-RPP Class B consumers. Proponents that submit an SOI will be provided with feedback from the OEB that can be informative as they develop their pilot applications. **Submission of an SOI is a prerequisite for submitting an application.** Application Guidelines and Evaluation Criteria for proponents will be provided as soon as they are available.

Following Phase 2 (Application Process) are Phase 3: Detailed Design & Recruitment, Phase 4: In-Field Testing and Phase 5: Measurement & Evaluation.

*The Five Phases of the Non-RPP Class B Pilot Program*

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| COMPLETE | ABOUT TO BEGIN | ------------------------- FORTHCOMING ----------------------------------- |

Recruitment in Phase 3 (“Detailed Design & Recruitment”) and the testing/data collection in Phase 4 (“In-Field Testing”) will be proponent-driven activities.

Unless otherwise noted, all references to “consumers” in this document should be understood to refer to non-RPP Class B consumers.

**Purpose of the Pilot Projects**

The objectives of these pilot projects are to:

* **Assess non-RPP Class B Consumers’ Savings and Response.** Evaluate how piloted price(s) impact participating consumers’ bills and demand for electricity, and the implications for the bills of non-participating non-RPP Class B consumers.
* **Quantify Wider System Net Benefits.** Consider the longer-term implications of the wider adoption of the piloted price model for the reliability, flexibility and efficiency of Ontario consumers’ electricity service.

The OEB intends to use the findings of the pilot evaluations to (i) support efficient electricity system operation and investment, and (ii) provide recommendations on new pricing models that would provide non-RPP Class B consumers with opportunities to reduce their electricity bills by shifting their usage.

The IESO intends to use the findings of the pilot evaluations to assess the implications of the pilot projects for: transmission system reliability, electricity demand, load flexibility and wholesale market efficiency.

**Purpose of the Statement of Interest**

The purpose of this SOI is to provide the OEB and IESO with a preliminary understanding of:

* **Who** is interested in acting as a pilot proponent?
* **What** price models the proponents wish to test, and what results do they expect from the pricing pilot (results like, for example, the coincident peak demand impact, changes in participant equipment investment decisions, etc.)?
* **How** would proponents plan to achieve these results?

Proponents should complete the SOI form below based on the best available information and they are not expected to undertake any significant research to do so. Research and analysis by proponents will be required at later stages of the application process.

The goal of the SOI is a pre-condition to participation in later stages of the process and informational. The OEB’s review of submitted SOIs does not include an approval process. Acceptance of the SOI does not mean that an application will be accepted.

**Price Models Considered**

Proponents are strongly encouraged to adopt one of the three pricing models identified below for their proposed pilots.

1. Pricing for these pilots will apply only to the GA portion of the commodity cost for which participating consumers are billed. Consumers will continue to pay all other electricity costs (HOEP, distribution costs, etc.) as usual.
2. Only pricing models that can be demonstrated to be more reflective of underlying system costs than the current GA price regime for non-RPP Class B consumers will be considered for approval as pilots. Cost-reflectiveness will be determined by the OEB through a comparison of the pricing model with the demand-shaped price developed as part of the [2019 OEB staff research paper](https://www.oeb.ca/sites/default/files/rpp-roadmap-staff-research-paper-20190228.pdf).
* **Time-of-Use (TOU):** Price varies by time of day, according to a schedule with prices set at pre-defined levels that are communicated to participating consumers prior to the start of the season.
* **Demand-Based Hourly Pricing:** Price varies by hour as a function of hourly provincial system demand. Firm hourly prices may be provided to participating consumers a day ahead or in real time.
* **Critical Peak Pricing (CPP):** Price is low in most hours of the year, but for certain pre-determined hours, the price can escalate for short intervals (e.g., several hours per events). Participating consumers would be provided with notification of such events. CPP pricing can also be combined with TOU pricing to create a design that incentivizes both daily and system peak price response in participating consumers.
1. There is, within each of these models, considerable room for flexibility and innovation, and proponents are encouraged to consider how such designs may be optimized for the benefit of participating consumers and the wider electricity system. For example, as part of the Regulated Price Plan Roadmap Pilot Program (2016 – 2021), one proponent equipped participants with an enabling technology and tested a CPP price model that included only single hour events. This was in contrast to another proponent’s CPP price model in which no automation technology was provided, but events were scheduled to last several hours.
2. Electricity distributors are not expected to be required to make major changes to their billing systems to accommodate participation in this pilot. Proponents are encouraged to partner with electricity distributors early in their planning for the pilots.

**SOI Timeline**

The deadline for the submission of an SOI is **November 30, 2022**.

After reviewing SOI submissions, the OEB will contact proponents to discuss their proposed pilot project. Following this stage those that submitted an SOI may submit a pilot application form. Pilot application forms and guidelines will be provided to proponents as soon as they are available.

**Funding Contribution**

In developing pilot concepts, proponents should assume the availability of up to $12 million (to be confirmed) in funding contributions per proponent, to cover all elements of pilot design, implementation, evaluation, and reporting, including participant pricing costs. Proponent and partner contributions must be at least 25% (to be confirmed) in cash to the estimated total project value.[[1]](#footnote-2)

The funding contribution amounts remain to be confirmed, and the estimate of funding available per proponent is subject to change. Proponents shall bear all costs associated with or incurred in the preparation of the SOI and the draft and final applications. Funding contributions will apply only to activities undertaken subsequent to application approval.

**What is needed from Proponents**

The SOI form below that is to be completed by proponents divided into eight sections:

**A. Pilot Summary.** A summary of the proposed pilot design and list of partners (confirmed and anticipated).

**B. Pilot Price Models.** Which pricing model will you test, and how do you propose to structure the prices?

**C. Recruitment & Enrolment.** An estimate of how many consumers you expect to enrol, the kinds of consumers you expect to enrol (e.g., retail, small manufacturing, etc.) and how you plan to meet your enrolment target.

**D. Expected Outcomes.** How do you expect participating consumers to respond to the pilot prices?

**E. Evaluation.** How will you ensure a robust evaluation of the pilot and its potential for the province?

**F. Expected Pilot Costs.** Identify the approximate pilot costs.

**G. Timelines.** How long do you expect each phase of pilot implementation to take?

**H. Additional Considerations.** Identify any other material considerations for the proposed pilot.

The OEB recognizes that in this early stage of planning, considerable uncertainty will exist with respect to projected pilot outcomes, costs, etc. It is the OEB’s expectation that any design details provided by proponents in the form below may be revised as part of the more detailed work required by the application.

**Statement of Interest Form**

The SOI is not meant to be a detailed proposal. Instead, it is to be indicative of the type of pilot the proponent is considering. Further detail, refinements and adjustments are expected as part of the draft application submission. Please keep your submission succinct, providing enough information to be able to understand the pilot that you are considering and its implications.

If you are interested in implementing a Non-RPP Class B Pilot, please send a completed SOI form to ClassB.pilot@OEB.caby **November 30, 2022**.

If you have any questions about this form, please email ClassB.pilot@OEB.ca

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| A. PILOT SUMMARY |
| 1 | Proponent Organization(s): |
| 2 | Project Title: |
| 3 | Proponent Contact:Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Organization: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Email: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Phone: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| 4 | Proponent Partners and Partner Roles *(Please identify all entities with which the proponent anticipates partnering with or engaging to support the design, development, deployment and evaluation of the pilot. Please identify each partner’s role in the project).* |
| 5 | **Description of Proposed Pilot: *(350 words or fewer)*** |
| B. PILOT PRICE MODELS |
| 6 | Please identify your proposed pricing model and a description of the proposed structure being considered.For example: “*A two-period, three-season TOU model. From [month x] to [month y] participating consumers* *are subject to an On-Peak price between the hours of a and b on non-holiday weekdays. From [month q] to [month r] etc.”*Please identify any innovations or enhancements to three standard pricing models identified in the Introduction that you would propose to test (e.g., combining TOU with CPP, etc.). Clearly articulate the rationale or importance of such enhancements or innovations. |

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| C. RECRUITMENT & ENROLMENT  |
| 7 | What kinds of consumers do you propose to target for enrolment? Where appropriate, please identify approximate target consumer: * sector or segment (e.g., office buildings > 5 stories), and
* size (e.g., “large”, “small”, “50 – 150 kW”, etc.)

For example: *“The pilot would target large greenhouses (more than 200 kW of demand)) within the service territories of [LDC X] and [LDC Y].* |
| 8 | Approximately how many consumers of the type described do you propose to enrol? Ranges are acceptableFor example: “*Enrolment 30 – 60 consumers*” |
| 9 | What are the key risks for achieving enrolment, and what mitigation strategy (if any) do you propose to employ? How will you meet your enrolment target? |

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| D. EXPECTED OUTCOMES  |
| 10 | What range of bill savings do you think would need to be achievable by consumers in order for them to consider participating?For example: *“Consumers in the targeted group tend to be highly risk-averse and would be likely to participate only if they might reasonably expect to reduce their electricity bill by 5% or more.”*Or: *“Consumers in the targeted group will only adopt energy management measures that have a simple payback of less than a year.”* |
| 11 | What energy management measures would you expect participant consumers to adopt in response to the piloted prices?For example: *“We expect office participants subject to this critical peak price to use building controls to curtail A/C during times of critical peak.”* Or: *“We expect retail participants subject to this time-of-use price to pre-cool retail spaces prior to the On-Peak period, increase HVAC set-points during the On-Peak period, and to take advantage of lighting retrofit incentives to upgrade to more efficient lighting.”* |

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| E. EVALUATION  |
| 12 | How would you ensure a robust evaluation of pilot impacts and consumer experience, consistent with the requirements of the [International Performance Measurement and Verification Protocol](https://evo-world.org/en/products-services-mainmenu-en/protocols/ipmvp) and the IESO’s [Evaluation Measurement & Verification Protocols](https://www.ieso.ca/en/Sector-Participants/Energy-Efficiency/Evaluation-Measurement-and-Verification)?*Proponents that file an application will need to demonstrate that they have the necessary evaluation expertise, whether from internal resources or external consultation services.*  |
| F. EXPECTED PILOT COSTS  |
| 13 | Does your proposed pilot design include incentives to assist participating consumers to improve the payback for energy management measures that can assist with price response? If so, please specify what types of measures might be incented, and how such incentives might be structured (e.g., financing assistance, direct payments, in-kind contributions, etc.).*Proponents are strongly encouraged to leverage incentives available from existing programs (e.g., Natural Resources Canada/IESO/ Canada Infrastructure Bank.* |
| 14 | Please provide an initial estimate of pilot project costs broken down into the following categories: * 1. Participant Pricing Costs. The costs associated with the difference between consumers’ bills when calculated with the pilot prices and when calculated with status quo GA prices. Proponents may inform their estimates using historically observed prices.
	2. Implementation & Administration Costs
	3. Incentive & Equipment Costs (if relevant)
	4. Evaluation Costs

The above estimates should include all costs regardless of the funding source.*This estimate of costs is in no way binding and is intended to be indicative only of what the final distribution and level of pilot costs might be.* | Estimated Total Cost:1. Participant Pricing Costs:
2. Implementation & Administration Costs:
3. Incentive & Equipment Costs, if any:
4. Evaluation Costs:
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| 15 | Please provide an initial estimate of the level of contributions to be provided by the proponent and proponent’s partners. In-kind contributions are contributions made of goods or services rather than currency (“cash”). | Cash Contributions:In-Kind Contributions: |

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| G. TIMELINES |
| 16 | There are four Phases remaining in this pilot:*Phase 2: Application Process**Phase 3: Detailed Design & Recruitment**Phase 4: In-Field Testing**Phase 5: Measurement & Evaluation*Following the end of Phase 2 (application approval), approximately how many months would you need to complete Phases 3 through 5

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| **Phase** | **Months to Complete** |
| 3: Detailed Design & Recruitment |  |
| 4: In-Field Testing |  |
| 5: Measurement & Evaluation |  |

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| H. ADDITIONAL CONSIDERATIONS |
| 17 | Is there any additional information that should be considered? |

##  Diagram  Description automatically generated

[WWW.OEB.CA](http://WWW.OEB.CA/)

1. Minimum proponent and partner contributions subject to change. [↑](#footnote-ref-2)