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OEB and Ministry of Energy Work on Ultra-Low Overnight Electricity Rate

By David Stevens

In a November 2021 letter to the Ontario Energy Board (OEB), Ontario's Minister of Energy asked the OEB to advise on the design of "an optional enhanced time of use rate to further incent demand-shifting away from peak periods to lower-demand periods." On February 9, 2022, the Minister of Energy posted a Regulatory Proposal seeking input on creating this optional enhanced time-of-use (TOU) electricity rate. The OEB is directed to report back to the Minister by April 1, 2022, and comments on the Regulatory Proposal can be provided until March 29, 2022.

As we have previously discussed, as part of its Regulated Price Plan (RPP) Roadmap initiative, the OEB has been working with four local distribution companies who designed and implemented pilot projects with different TOU electricity rate designs in order to encourage demand shifting. These pilot projects ran until mid-2019, and included different pricing treatments, including enhancing existing price differentials, a separately priced shoulder season, an overnight rate targeting EV users, critical peak pricing, and variable peak pricing.

In November 2021, the OEB released a report prepared by Guidehouse Canada titled Regulated Price Plan Pilot Meta-Analysis Final Report. Guidehouse's report provides an analysis of the results of four pilot projects testing ten alternative RPP price plans and non-price features, along with recommendations stemming from that analysis. The report and its recommendations were presented to stakeholders in December 2021. This included discussion and recommendations about the TOU pilot projects testing low overnight electricity rates (aimed at EV charging).

The Minister of Energy's November 2021 letter to the OEB cites the Guidehouse report and asks the OEB to further investigate the overnight rate structure, noting that it may incent EV adoption and decarbonization and may also increase efficiency in Ontario's electricity grid. The Minister of Energy specifically asked the OEB to report back on the design of an optional enhanced TOU rate to incent demand-shifting to lower-demand periods. The OEB's rate design option report is expected to address price ratios and timing, estimates of revenue and bill impacts and the shift in demand that will result from implementation, as well as risks of under-recovery and options to address that risk.

The OEB has initiated a stakeholder process to seek input on the design of the optional enhanced TOU rate. A virtual meeting with stakeholders is scheduled for February 17, 2022.

As the OEB continues its work towards a report and recommendations, the Minister of Energy is also seeking public input into "options to implement a new ultra-low overnight TOU electricity price plan." The stated goal is to help shift workers and residential consumers that use more electricity at night while supporting EV adoption. The Minister of Energy's Regulatory Proposal includes several questions on which input is requested, including questions about the potential impacts of a new rate (for example "What factors would be important to encourage consumers to opt into the new optional enhanced TOU rate plan?").

The OEB report and the public comments will be received by April 2022. The timing for when any new TOU rate structure would be implemented is not known.

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