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OEB Consulting on Time-of-Use Opt-Out Mechanism

By Angela Oh and David Stevens

The Ministry of Energy, Northern Development and Mines recently announced that consumers on the Regulated Price Plan (RPP) who pay time-of-use (TOU) prices will be able to opt out of TOU pricing to tiered prices starting on or after November 1, 2020. In response to this initiative, the Ontario Energy Board (OEB) is currently conducting consultations to establish the appropriate rules. Before November 1, a TOU opt-out mechanism must be established to allow smooth transition between the two price structures for consumers, minimize implementation costs, and maximize consistency across Ontario.

TOU prices started to replace tiered rates for Ontario households and small businesses in 2005. Under TOU pricing, consumers are charged a rate for electricity commodity costs that varies depending on when they use electricity. A very small number of consumers who still pay tiered rates are charged two rates for electricity: a lower rate for the electricity used up to a certain limit, and a second, higher rate for all additional use.

Starting on or after November 1, 2020, consumers will be able to choose between these two pricing plans. The goal is to allow consumers to choose a plan that best suits their household and lifestyle. TOU will continue to be the default price structure, but consumers who specifically elect to change to the tiered prices must do so before their next billing period. All complete elections received by an electricity distributor a reasonable time prior to the next billing period will be effective at the beginning of the following period. Once an election is complete, a written notification will be sent to the customer that the switch is pending. The OEB's consultation process suggests that 10 days' notice will be required for the elections.

Under the approach being considered in the OEB consultation process, after the initial switch is implemented, consumers must wait at least six months to change back to TOU prices. Consumers will then be allowed subsequent alterations between TOU and tiered prices twice a year. The theory is that a six month commitment will not force consumers to be on a price structure that does not work for them for an extended period of time, and will moderate the workload for distributors.

Currently, residential consumers under the tiered RPP plan are charged 11.9¢/kWh for the first 1000kWh/month, and 13.9¢/kWh for electricity use above 1000kWh/month. The OEB has yet announced whether these rates will remain in effect starting November 1, 2020.

To achieve a November 1, 2020 implementation date, many questions still remain. First, the OEB must determine what minimum information consumers will require to make an informed choice. Further, it is uncertain how customer invoices will include information on the historical consumption of electricity to allow consumers to readily compare electricity consumption from the current billing period, as required by section 6 of the Information on Invoices to Low-Volume Consumers of Electricity Regulation.

Details about implementation of the TOU opt out mechanism will be revealed in the coming months when the OEB publishes proposed changes to regulatory codes such as the Standard Supply Service Code.

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