

**Ontario Energy
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BY E-MAIL AND WEB POSTING

August 14, 2006

To: All Licensed Electricity Distributors
All Licensed Electricity Retailers
All Participants in Proceeding RP-2004-0205

RE: Regulated Price Plan – Pilot Projects

On July 28, 2006, the Ontario Energy Board (the "Board") amended the Standard Supply Service Code (the "SSS Code") pursuant to section 70.2 of the *Ontario Energy Board Act, 1998* (the "Act"). The amendments came into force on July 28, 2006.

The Board's accompanying July 28th Notice of Amendment to a Code only referenced one written submission that was received by the Board in relation to the proposed amendments issued by the Board on July 12, 2006.

In fact, the Board received eight written submissions in relation to the July 12, 2006 proposed amendments to the SSS Code: five from electricity distributors, two from retailers and one from the Building Owners and Managers Association of the Greater Toronto Area.

Many of the written submissions stated support for the July 12, 2006 proposed amendments; however, there were a number of issues raised that the Board would like to address.

Two submissions requested clarification regarding the eligibility of consumers that have signed an electricity contract with a retailer to participate in a pilot project. The Board notes in this regard that the amendments to the SSS Code apply to "RPP consumers". RPP consumers include consumers that have a retail contract but that are nonetheless eligible for, and are currently subject to, pricing under the regulated price plan ("RPP"). Such consumers would be eligible to participate in the pilot projects until such time as they cease to be RPP consumers. Other customers of retailers would not be eligible.

Two submissions suggested that there be no requirement that customers participating in a pilot project be volunteers. One submission stated that giving distributors full control over where meters are installed would reduce project costs, and that customer protection could be achieved by having the consumer billed at the lower of the conventional meter RPP price and the time-of-use RPP price. The other submission stated that non-voluntary participation may be required to achieve adequate participation levels. The Board believes that participation in the pilot projects should be voluntary because taking part in a pilot project may have a financial impact on the participating consumers, either positive or negative, relative to otherwise applicable RPP pricing. Consumers should not be faced with the risk of a negative financial outcome in the context of future pilot projects without being given the opportunity to consent to participation, particularly since pilot projects are expected to focus only on a subset of a distributor's customers with eligible TOU meters. The scenario whereby the consumer is billed at the lower of the tiered and time-of-use RPP prices would address the concern noted above by holding participating consumers harmless. However, doing so would likely result in significantly reducing the incentive for consumers to shift their consumption. It is therefore also not a scenario that the Board would consider implementing once mandatory TOU pricing goes into effect.

Two submissions questioned the necessity of requiring a distributor to obtain Board approval prior to implementing a pilot project. Prior Board approval is necessary to ensure the pilot projects that are implemented across the province are efficient and cost effective, and therefore in the public interest. When determining whether the pilot project will be in the public interest, the Board noted in its July 12th Notice of Proposal that it will take into account a number of considerations. First, the Board wishes to ensure that the existing billing systems of distributors implementing pilot projects can support the pilot projects without requiring material investments that would duplicate the potential functions of the Smart Metering Entity. The potential impact of the pilot project on the pilot project participants would also need to be reviewed. The Board also noted that the considerations would not be limited to these two items.

The amendments to the SSS Code that were made by the Board, and came into effect on, July 28, 2006 remain unchanged.

The Board would also like to advise distributors that it will be primarily interested in additional TOU pricing pilot projects that are complementary in nature to other TOU commodity pricing pilots operating in Ontario and will therefore provide value-added results that will further inform the Board and benefit the Ontario market as a whole. This is related to the final benefit identified in the July 12th Notice where the Board noted it would be beneficial to have different TOU pricing pilots where, for example, distributors have provided their participating consumers with different tools (e.g., load control devices) through their CDM budgets to help reduce or shift their consumption. As the Board noted, applying

TOU prices in such varying circumstances (i.e., not duplicative to existing pilot projects) would likely provide the Board with useful information.

If you have any questions regarding this letter or the recent amendments to the SSS Code, please contact Chris Cincar at 416-440-7696. The Board's toll free number is 1-888-632-6273.

E-mail inquiries should be directed to RPP@oeb.gov.on.ca.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary