



November 28, 2023

Hon. Todd Smith, MPP, Minister of Energy

Ministry of Energy
77 Grenville Ave., 10th Floor
Toronto, ON M5S 1B1

Susanna Zagar, Chief Executive Officer

Ontario Energy Board
2300 Yonge Street, 27th floor
P.O. Box 2319
Toronto, ON M4P 1E4

Subject: Request for review of the Ultra-Low Overnight (ULO) rate plan

Dear Mr. Smith and Ms. Zagar,

The Ontario Society of Professional Engineers (OSPE) is the advocacy body and voice of the engineering profession. Ontario currently has over 85,000 professional engineers, 250,000 engineering graduates, 6,600 engineering post-graduate students and 37,000 engineering undergraduate students. OSPE has worked closely with the Ministry of Energy and the Ontario Energy Board (OEB) on Ontario's electricity grid and consulted with the Ministry at the time of developing the Ultra-Low Overnight (ULO) rate plan.

We have gained approximately five months of experience with the new ULO rate plan, which was implemented by a number of local distribution companies (LDCs) starting on May 1, 2023. Among these LDCs, Toronto Hydro and London Hydro, as the two largest, should now have accumulated sufficient experience with the ULO rate plan to assess whether there are any issues with consumer acceptance.

OSPE respectfully requests that both the Ministry and the OEB consider conducting a comprehensive consumer survey. The purpose of this survey would be to evaluate the effectiveness of the ULO price plan rates in incentivizing consumers who stand to benefit most from it, primarily electric vehicle owners and consumers who use propane and heating oil for water and space heating.

Furthermore, OSPE would like to propose a review of the ULO price plan's design with the aim of encouraging greater adoption. This review could include considerations such as reducing the on-peak rate, lowering the overnight rate, and finding mechanisms to recover any lost revenue in all three of the other rate periods (on-peak, mid-peak and off-peak). Additionally, there is potential to explore the introduction of time-of-use charges for transmission and regulatory

fees or, alternatively, transitioning these charges to a fixed monthly fee structure akin to distribution charges.

When the ULO rates were initially introduced, OSPE expressed concerns about four potential issues:

1. The recovery of lost revenue during the overnight period solely within the on-peak period resulted in a ULO on-peak rate that was 59% higher than the TOU (Time-of-Use) on-peak rate. This high ULO on-peak rate may dissuade electric vehicle (EV) owners from transitioning to the ULO rate plan, especially because of loads that cannot be easily shifted out of the on-peak period, such as evening meal preparation and air conditioning. This rate structure may also discourage the average consumer from switching to the ULO plan, as it appears designed to negate most overnight savings.
2. The substantial ULO on-peak rate also led to a higher ULO overnight rate due to the 10:1 ratio between the two. This higher ULO overnight rate could discourage consumers in rural areas with propane and heating oil from transitioning to cleaner electrical heating overnight to reduce carbon dioxide emissions.
3. The combination of the ULO overnight rate with transmission and regulatory charges, which are not time-of-use-based, resulted in a total incremental cost for an additional kWh of electricity approximately 4.8 cents/kWh. This cost significantly exceeds the actual production cost of clean electricity (less than 1.4 cents/kWh), potentially discouraging consumers from switching from fossil fuels to clean electricity during the overnight period, even with carbon taxes planned at \$170/tonne of carbon dioxide in 2030.
4. The current practice involves cross-subsidization stemming from the overcharging of the ULO rate class. Historically, overnight rates were intentionally set at artificially elevated levels to subsidize peak rates. Now, with the effort to secure these rates within the ULO category, we find ourselves unintentionally cross-subsidizing other rate classes by overcharging ULO.

Discouraging consumers from adopting the ULO rate plan may impede the desired behavior changes, such as altering EV charging habits and choosing cleaner heating fuels overnight, which were the primary objectives of introducing the ULO price plan. While the OEB developed a calculator to assist consumers in selecting between rate plans, it required significant effort to achieve high prediction accuracy. As a result, consumers likely resorted to a simplified calculation method, which may have led to lower prediction accuracy and underestimated potential savings. Moreover, the OEB calculator did not address the savings achievable from transitioning from fossil fuels to cleaner electricity overnight.

The semi-annual review of electricity rates presents an opportune time for the Ministry and the OEB to conduct consumer surveys and reevaluate the ULO rate plan's design. OSPE believes that a ULO rate structure tailored to encourage EV owners and those interested in transitioning away from fossil fuels for heating would not only save consumers more money but also contribute significantly to the province's emission reduction goals.

OSPE sincerely hopes that the Minister of Energy and the OEB will consider undertaking the proposed review.

We would welcome a meeting with representatives of the OEB and the Ministry of Energy to share our expertise and discuss this topic in more detail. Please get in touch if this is a possibility.

For any further questions, please contact the Manager of Public Affairs, Paola Cetares, pcetares@ospe.on.ca, 416 223 9961 Ext. 225.

Sincerely,



Stephanie Holko, P.Eng., MBA
Chair and President
Ontario Society of Professional Engineers



Sandro Perruzza
Chief Executive Officer
Ontario Society of Professional Engineers