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“Time-of-use” rates for electricity working in Newmarket

Largest study in Ontario shows households in Newmarket moving consumption to off-peak periods

Newmarket, Ontario (May 6, 2010):

Consumers in Newmarket are responding to “time-of-use” (TOU) rates by using less electricity during the higher-priced *on-peak* and *mid-peak* periods and shifting some of that consumption to the *off-peak* periods of weekends and holidays. That’s the conclusion of Ontario’s largest study to date of TOU rates and their effect on residential electricity consumption. Although there was no statistically significant change in the total volume of electricity used, the analysis does show that TOU rates are achieving their primary goal of shifting consumer demand away from the periods in which Ontario’s electricity system is under the greatest strain.

Conducted for Newmarket Hydro by an independent consulting firm, the study compared extensive historical data from the previous two-tier rate structure for electricity with real time-of-use customer consumption information to determine if residential consumers were switching usage away from *on-peak* periods. The analysis indicates that the current impact of TOU rates on when consumers use electricity is modest but significant. Electricity usage in *on-peak* periods dropped by 2.8 per cent; during *mid-peak* times, it dropped by 1.39 per cent. While there was virtually no change in consumption for the weekday *off-peak* periods, usage during weekend *off-peak* periods increased by 2.21 per cent.

The data used in this study was drawn from a cross-section of Newmarket Hydro residential customers covering more than 3,000 households, making it the largest Ontario study to date in terms of the sheer number of accounts analyzed. The period examined extended over approximately 26 months (more than 800 days), the longest survey period yet used in Ontario for an assessment of how TOU rates influence residential consumption. The analytical research was complemented by a detailed telephone survey of customer attitudes about the TOU rate plan with approximately ten per cent of the households included in the main study group.

“The results of this study tell us that TOU rates are doing what they’ve been designed to do – encourage consumers to shift usage away from *on-peak* and *mid-peak* periods,” says Paul Ferguson, president of Newmarket Hydro. Although the average changes in consumption during the *on-peak* and *mid-peak* periods may appear small by themselves, they are significant because they show that customers are moving in the right direction.

“The purpose of TOU is to encourage consumers to shift electricity use to the *off-peak* periods and away from the more expensive peak demand periods when electricity generation causes the most environmental damage,” says Ferguson. Shifting to *off-peak* periods clearly reduces the burden on the environment and, “on that score, the findings of this study show that TOU is working in Newmarket.”

The study observed that consumers’ perceptions of TOU change the longer they have been receiving TOU bills. The longer consumers are on TOU rates, the less they believe that these rates cause their bills to increase. In fact, the more experience they have with TOU, the more they believe the bill savings adequately compensate them for shifting their consumption habits.