

Time-of-use (TOU) pricing plans are still largely experimental, but are gaining in popularity throughout Europe because of promising results from pilot projects. TOU pricing will allow power companies to better manage their energy distribution and production during demand peaks and troughs. Consumers will have a much better handle on how they consume energy and insight into how they can conserve power.

Forecasting demand during times of peak consumption can be quite difficult for power grid operators. The difference between the amount forecasted for consumption and the amount actually consumed can make a big difference in the wholesale price of energy. It is from this fact that the TOU pricing schemes were created. Consumers who sign-up for TOU pricing schemes can save significantly on their electric bills by shifting their consumption to off-peak hours.

Some European power providers, including EDF, Direct Energie, Votalis, and Ergelis, have already implemented TOU pricing schemes. Both residential and commercial consumers are able to exert much more control over how they use energy and save on their electric bills.

Last October, French transmission system operator RTE submitted its “Modalities of the implementation of the TOU experimentation” to the Commission de régulation de l'énergie (CRE – France’s utility regulator) for approval.

Utilities hope to develop innovative pricing schemes based on TOU to develop an edge within the marketplace. Votalis, for one, has developed a scheme where the power provider is awarded the unconsumed electricity purchased from RTE in 100 megawatt allotments – building up a store of “free” energy – and reward customers who are able to reduce their consumption by 10 percent or more.

These new pricing plans are inspired from those already in place in other countries. The advance of smart meter technology has permitted the further development of TOU pricing plans.

In Ontario, Canada, the widespread installation of smart meters has given utilities that ability to reduce peak consumption. Using historical data detailing typical consumption patterns, energy operators in Ontario were able to determine rates for peak and off-peak consumption. Ontario officials anticipate a reduction in peak consumption of 5 percent as a result of the effort.

In the Netherlands, the energy wholesale market has been opened to competition but, unexpectedly, energy prices rose for consumers. To combat this unforeseen problem, industry players must anticipate it and find a solution. The immediate fix there is to install pre-paid meters to give consumers a better chance at budgeting for their energy consumption.

A bill has been drafted in the Netherlands that would require a pre-paid meter to be installed within every home by 2012. Since 2006, industry players in the Dutch energy market have developed plans to integrate TOU pricing plans with the pre-paid meters.

France isn't expected to have any TOU pricing plans available before the fall of 2009. The first TOU offers will become available during the second half of next year when they are published on the RTE Web site. Operators that are able to launch these pricing plans will develop a

competitive advantage within the French market – they will be able to offer plans where consumers can save 10% or more and will get a greatly enhanced ability to reduce peak consumption. Smart meters are due to be installed within every home by 2012 and operators that have experience with TOU pricing will get an advantage on their competitors who have not.

Within Belgium, power provider Nuon has taken the lead. It is currently the only utility testing smart meters within the country. As a result of their efforts, TOU pricing plans based upon using smart meters should be in place by 2010.

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