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BY COURIER

October 9, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

EB-2014-0198: Policy Review of Electricity and Natural Gas Distributors' Customer Billing Practices and Performance

Hydro One Networks Inc. ("Hydro One") appreciates the opportunity to comment on the Draft Report of the Board on the Residential Billing Practices and Performance of Electricity and Natural Gas Distributors (the "draft Report").

Hydro One shares the Board's desire for customers to receive timely and accurate bills, and is especially supportive of the Board's stated interest in billing practices that meet "customer needs and expectations". In fact, Hydro One's recent experience in dealing with customer billing issues related to our new billing system has provided the Company with an increased understanding of customers' needs and expectations, and an opportunity to renew its stated commitment to providing bills that are clear, timely and accurate.

While the draft Report addresses both electricity and natural gas billing, Hydro One's comments are limited to the billing practices and performance for electricity customers.

General Comments

With respect to electricity customers, the two stated policy objectives of the Board in the draft Report are:

1. to have all non-seasonal electricity residential customers billed on a monthly basis effective January 1, 2016; and
2. to establish a residential consumer estimated billing policy with the expectation that all customers have bills based on actual consumption data, with limited exceptions (and a 98% billing accuracy measure on electricity distributors' performance scorecards at this time).

In assessing the desirability of any new policies or standards for electricity billing, it is important to consider that business drivers that such requirements will signal to distributors, and

- (i) their resultant costs and ultimate rate impacts;
- (ii) the extent to which such changes are consistent with other regulatory requirements or constraints;
- (iii) the compatibility of the proposed requirements with other elements of the meter-to-cash process and the associated infrastructure (e.g. metering, communications, billing system); and of course,
- (iv) customer preferences, keeping in mind that different customer segments have different needs and expectations.

Having considered these factors, Hydro One is generally supportive of the Board's proposed move to monthly billing for non-seasonal customers, but has serious concerns with the Board's intent to eliminate estimated bills, at least as we understand it.

With respect to monthly billing for seasonal customers, in Hydro One's view and experience, many of these customers (who are typically low-volume consumers) would not welcome a transition to monthly billing. Further, for those who do, the option already exists to enroll in budget billing, which offers monthly billing without limiting conditions or restrictions.

Hydro One also notes that a move to mandatory monthly billing for seasonal customers would introduce incremental costs that, for this customer segment, may not be offset by the benefits suggested in the draft Report. As such, the Company would seek to track and recover these externally-imposed incremental costs through a Board-approved variance account.

Hydro One shares the Board's desire for accurate bills, but respectfully submits that an estimated bill is not, nor should it be considered, an inaccurate bill. The Board's drive to 98% billing accuracy, as currently proposed, is in fact one of the main reasons that Hydro One is currently considering migrating certain customers off time-of-use rates and back to two-tier Regulated Price Plan (RPP) rates.

The requirement for billing accuracy, and the current scorecard measure of 98%, assume that distributors can read all of their customers' meters on a timely basis, and does not recognize the

existence of customers who are in the ‘white space’ or where communications issues exist. Imposing this requirement, without allowance for the issuance of any estimated bills, is incompatible with the current metering and communications infrastructure (especially in Hydro One’s service territory), would drive additional capital and O&M costs (e.g., uneconomic network tuning or monthly manual reads), and would in many cases still be unachievable. Hydro One respectfully suggests that the definition of an “inaccurate” bill should be revisited, with the expectation that scheduled estimates be excluded from the definition, as should cancel/rebills that occur within a certain ‘reasonable’ time after the issuance of a bill.

Further, the Board’s proposal to require monthly billing runs contrary to its desire to eliminate estimated bills, especially for seasonal customers -- mandated monthly billing will, by necessity, result in more estimated bills. As such, the Board may need to assess which of these two requirements should prevail, or how the two can co-exist (e.g. by allowing distributors to resort to budget billing for customers where regular, actual bills are not a practical expectation).

The imposition of an absolute billing accuracy requirement, such as one that does not permit the use of estimated bills or the judicious use of cancel/rebills, would be a concern to Hydro One and for its customers, and would likely require that the Company approach the Board for relief in the form of exemptions from these requirements.

Responses to Questions on Monthly Billing Posed in the Draft Report (Section 4.2 in draft Report)

1. *For the electricity distributors that do not offer monthly billing, what are the barriers faced in meeting the Board’s goal of having all residential customers moved to monthly billing by January 1, 2016? What are the offsetting benefits such as reduced costs?*

Hydro One provides monthly billing for nearly all residential (non-seasonal) customers -- some 1,103,637 customers as of mid-August 2014. The small number of bi-monthly billed residential customers (1,505 customers) could be moved to monthly billing by the Board’s goal date without significant barriers. Any offsetting benefits would not be material, given the very low volume of residential customers who are not currently monthly billed.

2. *Should seasonal customers also be billed on a monthly basis? What are the barriers to moving to monthly billing? What are the offsetting benefits such as reduced costs?*

Seasonal customers should not be billed on a monthly basis if the requirement is to bill them on actual meter readings. Hydro One has 132,157 customers who are billed on a quarterly basis (as at mid-August, 2014).

To the extent that a customer desires to spread out his/her seasonal electricity costs over the entire year, participation in Hydro One's equal billing plan (budget billing) provides for monthly bills of an "equalized" amount based on the prior year's historical consumption. This is currently an option for seasonal customers.

Barriers to moving to monthly billing are increased costs of meter reading where reliably communicating smart meters are not in place. Currently, Hydro One plans to read these meters on an annual basis only. Because of many seasonal customers' locations on islands, or on properties without road access, etc., physical access to their electricity meters is hampered or impossible, and therefore, significantly more costly to obtain. Moving these customers to monthly billing would increase the percentage of Hydro One-issued bills that are based on estimates.

To the extent that monthly actual readings are not available to generate customer bills (e.g. for "white space" meters and in cases where intermittent AMI communication issues exists related to MDM/R synched meters), many bills are therefore based on estimated consumption. For these customers, the move to monthly billing would help spread out electricity costs and reduce the average bill, but it would not provide them with more or better information to understand their energy consumption so that they can better manage that consumption and control their costs.

Many seasonal customer accounts have very low annual consumption and a portion of these customers might actually prefer their existing quarterly billing frequency. They would view a move to monthly billing as an imposition requiring more cost and/or effort on their part, and perhaps even be concerned about the increased costs to Hydro One. When Ontario Hydro moved seasonal customers from annual billing for their electricity consumption to quarterly billing with the implementation of the CSS Customer/1 billing system in 1998, there was negative feedback from this segment, reflected in a significant volume of letter complaints and in-call volumes related to these concerns. Many expressed dissatisfaction with the increased billing frequency, in part, because it required an increased payment frequency on their part (with potentially increased bank fees for payments, postage, etc.).

Hydro One sees no material offsetting benefits, as our call handling, billing and meter reading costs would increase substantially.

Responses to Questions on Estimated Billing Posed in the Draft Report (Section 4.4 in draft Report)

- 1. Are there circumstances that should be considered as exceptions to the requirement for all residential consumers to receive bills based on actual meter reads?*

Yes, the smart meter functional specification (“Functional Specification for Advanced Metering Infrastructure”, or the “AMI Specification”) recognized that 100% meter read acquisition was not technically achievable. It therefore explicitly recognized that metered data would be missing and that editing and estimation will be required which would result in bills being classified as estimates and subsequently re-billed. Specifically the Ontario AMI Specification states the following:

- 2.3.1.1 *AMI shall successfully collect and transmit to the AMCC and MDM/R at least 98.0% of the Meter Reads from all AMCDs deployed by a distributor in any Daily Read Period.*
- 2.3.1.2 *Meter Reads unsuccessfully collected or transmitted shall not be due to the same AMI component (including, without limitation, any AMCD) during any three (3) month consecutive time period.*
- 2.3.2 *Transmission Accuracy: Over the Daily Read Period, 99.9% of the Meter Reads received by the AMCC shall contain the same information as that collected by all AMCDs deployed by the distributor.*

Imposing a new requirement for all residential consumers to receive bills based on actual meter reads is therefore inconsistent with the foundational specification that the Ontario smart meter solution was built upon. Instead, any billing accuracy requirement must take into consideration that a reasonable percentage of issued bills will be based on estimates.

Thus, the requirement must accommodate the fact that there are technical and economic limitations in the deployment and operation of the smart meter network that cause intermittent AMI meter reads, or even require that meters be read manually on an ongoing basis. In these situations, requiring monthly billing and monthly manual reads will significantly drive up meter reading costs with limited benefit. Under these situations LDCs should be allowed to continue using established historical billing practices.

2. *Are there any barriers to moving to eliminate estimated billing? Are these offset by any benefits?*

Yes there are significant barriers to eliminating estimated billing.

- Smart meter technology deployed by LDCs, like any other technology, experiences equipment failure that requires time to triage and fix, which causes meter reads to be unavailable, thus leading to estimated bills. Eliminating estimated bills would require significant investment to build additional redundancy in the solution, with questionable benefits.
- Meters where technical or economic limitations preclude the installation of a reliable communication network would require additional manual meter reading. For time of use meters, additional manual meter reading, where technically possible, will substantially drive ongoing costs for billing service delivery.

- Customer reaction to additional increases in electricity bills is also a barrier, as increasing the quality of billing service (by eliminating bills based on estimates) will increase service delivery costs.
 - As discussed in response to question 1, the provincial functional specifications acknowledge and accept an ongoing requirement for a certain percentage of estimated bills due to the technical aspects of the advanced metering infrastructure. Therefore, this will be a barrier to the elimination of estimated billing. Removing that flexibility would require significant additional smart meter infrastructure investments with little benefit.
3. *For those limited circumstances where an estimated bill may be required, what is the appropriate methodology to be used in estimating the data?*

Estimated bills should be based on the historical consumption for the same/similar period the prior year, where available, or a reasonable estimate by the LDC in cases where no history is available. Hydro One respectfully submits that the Board should not dictate the detailed methodology, since capabilities of billing systems differ significantly and such requirements could drive unintended and unnecessary costs.

4. *Should the policy establish a similar measure to that in the GDAR (< 0.5% of meters with no read for 4 consecutive months)? If so, what should this measure be and should there be a disincentive for not meeting the measure?*

The goal of a similar policy is reasonable. However, given the challenges for some utilities in obtaining actual readings on all residential meters every month, the actual measure and any disincentives for not meeting it need to be very carefully determined. The measures must be fair and equitable, and yet should differ by utility based on criteria such as customer rate classification, the nature of the service territory, etc.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

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