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BY EMAIL

November 10, 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-2014-0227 – Hydro One’s Comments on the Proposed Ontario Electricity Support Program (“OESP”)

We are writing this letter in response to the October 23, 2014 request for comments on the questions for stakeholder input contained therein. Our comments are provided below.

Hydro One is chiefly concerned with having a program that is both administratively efficient and funded through an appropriate mechanism. For administrative efficiency, Hydro One is recommending that existing processes and programs be leveraged for in-take / qualification via a Social Service Agencies (SSA), use the existing OCEB as the relief to be provided and use of the same funding mechanism as Direct Benefits for program and cost recovery. Further to this consultation, those being asked to administer the program should be consulted on realistic implementation and administration costs.

Overall, the OESP needs to work seamlessly with other the distributor-based programs, including the Low-Income Customer definition and rules in the Distribution System Code and the Low-income Emergency Assistance Program (LEAP). This will reduce administrative overlap and customer confusion. The Board should also review these other programs and make adjustments to accommodate for OESP.

1. Should the OESP be designed to provide support to the greatest number of low-income customers or to provide targeted support to those low-income customers with the greatest need?

Hydro One believes that the OESP should be made available to support the greatest number of low-income customers. To that end, the OESP should adopt the definition of “eligible low-income

customer” from the Distribution System Code: *“a residential electricity customer who has a pre-tax household income at or below the pre-tax Low Income Cut-Off, according to Statistics Canada, plus 15%, taking into account family size and community size, as qualified by a Social Service Agency or Government Agency...”*

A consistent definition across all distributor programs would be in keeping with the policy objective of taking into account existing programs, as described in Minister Chiarelli’s letter. To adopt a unique definition for the purposes of the OESP would be confusing for customers and introduce added cost and complexity for the program. A unique definition would require additional system and process changes, both of which carry implementation, development and on-going OM&A costs incremental to the costs incurred today for monitoring low-income status and administering LEAP.

Hydro One understands that one goal of OESP is to address the significant increase in electricity bills that will result from the Ontario Clean Energy Benefit (OCEB) expiring. We believe that all low-income customers should benefit from this protection, not just the low-income customers with the “greatest need.” Once qualified as low-income – no matter the status within that definition – that alone should be sufficient enough for assistance with electricity costs. For those that are of the “greatest need” there are other non-energy-related social assistance benefits available and easier to qualify the lower one’s income is. Such assistance is more difficult to obtain the closer one is to no longer being considered Low-Income. For example, LEAP is an electricity-specific relief fund that exemplifies a program that exists for those with a greater need. In the case of LEAP, the particular need is those customers with arrears.

2. *How could the OESP best meet its intended objective? A percentage-based credit (i.e. 10%), fixed credit, or customized credit?*

As described in Minister Chiarelli’s letter, the one of the OESP’s intended objectives is to offset the impact on low-income customers of OCEB ending, the OEB should adopt and recommend the eligibility criteria proposed in this letter. Specifically Hydro One is recommending, the continuation of OCEB, but only for eligible, low-income, participants. This will significantly reduce implementation costs for distributors, whose billing systems are already programmed to administer the OCEB. OCEB currently accounts for customers using medical equipment and suite-metered multi-residential units. A new credit (either percentage or fixed dollar) would carry incremental development costs. A customized fixed credit would introduce complexity to business processes for on-going program administration (e.g. establishing the level of credit for individual customers and performing a periodic review of income, etc). This would have an even greater cost.

3. *How should the OESP be funded: through a provincial charge that is uniform for all ratepayers, collected centrally and then paid out to distributors based on their OESP requirements; or should each distributor collect the revenue required to fund the OESP needed for its service area through its distribution rate?*

The OESP should be collected centrally and paid out to distributors based on their OESP requirements, in the same manner as direct benefits and the global adjustment.

Protecting low-income residential electricity customers is a policy objective for the greater public good that should be supported and funded by all rate payers in Ontario. Universal funding avoids inequities between customer bases which have higher average incomes and lower average incomes. The Statistics Canada LICO table highlights the relationship between income and population density.

Many distributors will have rates fixed for multiple years past 2015 based on budgets that do not include OESP-related costs. The total cost, including the amount of relief provided and administration should be tracked in a deferral account. The amount of relief provided should be cleared through the global adjustment monthly. If program administration costs require a prudency review, those costs could be reviewed at the distributor's next Cost of Service Application and subsequent disposition, again, through the global adjustment.

Hydro One believes that it is appropriate to place the costs of this program into the global adjustment, similar to the framework used for direct benefits. The costs to accommodate renewable generation and the associated distribution system investments are recovered through a uniform provincial basis, by way of direct benefits and the global adjustment. This proposal would leverage existing processes and programs to deliver OESP, thereby reducing the changes required to a distributor's billing system.

Other matters for consideration

1. Low-Income persons that do not pay their bill directly: Given that utilities have no direct relationship with those low-income persons that pay utilities through their landlord, Hydro One recommends that the OEB work with the Landlord and Tenant Board and other tenant protection / social justice agencies to determine recommendations to the Minister of Energy on how to best assist such customers.
2. First Nations & Métis Customers: Hydro One believes there to be the need for special qualification provisions for First Nations & Métis customers. This could be as simple as an allowance for batched qualification through Band Councils. Such measures will assist in program uptake. Further, the OEB should investigate the need for incremental relief for such customers.
3. Bundled Rates: Customers on bundled rates already receive a subsidy for electricity, another program to provide a further subsidy would be inefficient. If further relief for these customers is merited then an adjustment to the bundled rates is the most efficient means to accomplish that.
4. Program Awareness and Marketing: A Province-led or OEB-led marketing campaign to ensure all eligible customers are aware of OESP. Programs such as OESP have a greater social impact if they are widely marketed.

Sincerely,

Susan Frank