

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416-481-1967
Facsimile: 416-440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27^e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



VIA EMAIL AND WEB POSTING

October 23, 2017

Cindy-Lynn Steele
VP, Market Solutions
Hydro One Networks Inc.
483 Bay St 6th Floor South Tower
Toronto ON, M5G 2P5

Dear Ms. Steele:

**Re: Hydro One Regulated Price Plan Pilot Application
(Board File No. EB-2016-0201)**

In July 2016, the Ontario Energy Board (OEB) invited electricity distributors to submit applications to conduct pilots to test price and non-price programs, as part of its Regulated Price Plan (RPP) Roadmap. In response to this invitation, Hydro One submitted a pilot proposal that would test multiple rate treatments in conjunction with several technology and communications options to identify their impact on customer behaviour, energy use and costs. The OEB has completed its review of Hydro One's proposed pilot project, and has decided to approve it subject to certain conditions.

On August 31, 2017 Hydro One provided the OEB with an updated application for an RPP pilot that is designed to test the following pricing and non-pricing approaches:

1. Enhanced time-of-use;
2. Two-part time-of-use;
3. Variable peak pricing;
4. Real time pricing;
5. Flat rate pricing;
6. Aggregated and disaggregated information feedback through an in-home display, web portal, or rate calculator; and
7. Enabling technologies such as a smart thermostat or thermal energy storage.

All enrolled customers will be charged in accordance with the applicable pilot pricing approach for at least one year. Those involved in the price plan approaches will pay for one of the four dynamic rates described above or a flat rate, each of which will be approved by the OEB and updated from time to time, and may receive aggregated or disaggregated information feedback with or without enabling technology. A control group will pay status-quo time-of-use rates as updated from time to time by the OEB.

The OEB has determined that it does not see sufficient value in Hydro One's proposal to test these rate plans in combination with Thermal Energy Storage (TES) devices. The OEB notes that Hydro One has recently conducted an extensive study on Thermal Energy Storage and found significant benefits to electric heat customers on dynamic rates. The OEB does not see the need to investigate this technology further as part of an RPP pilot and therefore the proposal to test the plans in combination with Thermal Energy Storage is not approved.

The OEB is otherwise satisfied that Hydro One's proposed pilot meets the pilot requirements laid out in the *Regulated Price Plan Roadmap: Guideline for Pilot Projects on RPP Pricing* (RPP Guideline), conforms to the price and non-price pilot framework laid out in the RPP Roadmap and will support the OEB's efforts in determining price alternatives that can complement the ongoing review of the RPP.

The OEB approves Hydro One's RPP pilot prices and requires that it promptly provide updated prices following changes to RPP. The OEB's approval of Hydro One's pilot is subject to the Conditions of Approval set out in Attachment A to this letter.

As part of the pilot program, applicants will be required to complete regular monitoring reports, in addition to filing interim results and a final report. Subject to addressing confidentiality concerns, all such reports may be posted on the OEB's website. A schedule for filing these reports with the OEB is provided in Attachment B. A copy of the Monitoring Report template is provided as a separate attachment.

In accordance with a direction from the Minister of Energy to the Independent Electricity System Operator (IESO) dated December 16, 2016, the IESO's Conservation Fund will be a source of funding for Hydro One's pilot in amounts determined by the OEB.

Hydro One has identified that its RPP pilot will take approximately two years to complete once initiated, including its final report, at an initially estimated cost of \$9.009M, including in-kind contributions valued at \$120,000 from Hydro One and its partners, and the costs of TES. The OEB also notes that Hydro One has been granted a deferral account to record the costs associated with extending its current Smart Grid Fund Dynamic Energy Pricing Pilot (SGF Pilot). Extending its SGF Pilot is expected to

avoid the need to recruit additional customers into the new RPP pilot and provide an opportunity to observe customer persistence with and without previous pilot experience.

The OEB requests that Hydro One submit an updated project timeline and project budget, reflecting the exclusion of costs associated with TES as well as any adjustments to costs that were the result of work with OEB staff subsequent to Hydro One's August 31 application.

Such updates will be required to be submitted within 5 days of the date of this letter in order to support the initiation of contract execution activities with the IESO and to support the OEB's monitoring of the pilot's performance against project timelines.

The OEB expects Hydro One to deploy and run its RPP pilot on schedule and within its approved budget. Any scheduling or cost changes will need to be approved in advance by the OEB, and the need for such changes will need to be justified by Hydro One.

Any questions can be directed to RPP.Pilots@oeb.ca and should cite "Hydro One" in the subject line.

Sincerely,

Original signed by

Mary Anne Aldred
General Counsel & Vice President, Legal Services & Strategic Policy
Ontario Energy Board

Attachment A – Conditions of Approval

1. **Notice of Changes:** Hydro One shall notify the OEB of any proposed changes to the scope, budget/costs, timing/schedule and/or objective(s) of the pilot. These changes are subject to OEB approval.
2. **Publicity:** Hydro One shall obtain prior OEB approval of all recruitment and promotional materials proposed to be used by Hydro One in relation to the pilot. Hydro One shall include such references to the OEB in such materials as may be directed by the OEB, but shall not refer to the OEB in any communications without the OEB's prior approval. Hydro One shall use best efforts to seek OEB approval regarding such promotional materials no less than 15 days prior to their intended use, or by prior consent of the OEB on any shorter period.
3. **Information and Reporting:**
 - (a) Hydro One shall provide regular Monitoring Reports and file an Interim Results Report and a Final Results Report with the OEB in accordance with the schedule outlined in Attachment B. The reporting schedule is subject to change at the OEB's discretion.
 - (b) Hydro One shall make all reasonable efforts to prepare its Monitoring Reports and Results Reports in such a manner that they do not contain confidential or personal information. If it is necessary for a Monitoring Report or a Results Report to contain confidential or personal information in order for the contents of the Report to be meaningful, Hydro One shall clearly identify the confidential or personal information and file the relevant Report in confidence. Hydro One will, if requested by the OEB, prepare a version of the Report from which confidential or personal information has been redacted such that the Report can be communicated to third parties or posted on the OEB's website. Despite the above, the OEB may provide a copy of the confidential version of the Report to the IESO or the Ministry of Energy
 - (c) Hydro One shall provide such other information and materials relating to the pilot as the OEB may request from time to time.
 - (d) Hydro One shall maintain proper and distinct books and records relating to the pilot for examination and audit by the OEB, including for the purposes of measurement and verification of the pilot results and impacts.

1. **Opt-Out Provisions:** Hydro One shall inform participants about their right to opt out of a pilot project at any time, if they wish to do so.

2. **Compliance with Conservation First Evaluation, Measurement & Verification Protocols and Requirements:** Hydro One shall use all applicable Conservation First Evaluation Measurement & Verification Protocols and Requirements to ensure consistency in evaluation and to facilitate comparability across different RPP pilots as well as other Conservation and Demand Management activities in Ontario.

Attachment B – Reporting Requirements

The following schedule outlines the reporting requirements that are to be filed with the OEB.

Timeframe	Report	Frequency
From Contract Execution until Pilot Project(s) is/are Fully Deployed	Monitoring Report	Monthly
From Pilot Deployment until Interim Results Report	Monitoring Report	Bi-Monthly
6 Months after Completion of Recruitment Phase	Interim Results Report	Once
4 Months After Completion of Pilot	Final Results Report	Once