

Ontario Energy Board Submission

February 2014

Hydro One Rate Structure, Residential

Background

We are cottagers in North Hastings who also reside in Mississauga and have written to the Ombudsman previously as well as complained to NGO's such as the Federation of Ontario Cottagers (FOCA) repeatedly about the injustice of the current rate structure for Hydro One. I couldn't say it better than they have themselves in the following note (although the rates are now much higher than those quoted).

From: CustomerCommunications@HydroOne.com

To: b [REDACTED]

Date: Tue, 24 May 2011 12:16:56 -0400

Dear Mr. Cheshire,

Thank you for your email.

For your reference, provided below are the charges assuming the customer's have used 1000 kWh:

Residential - Low Density (R2) - (formerly Residential - Normal Density (R2) & Farm Energy w/RRP credit)

\$92.99 (not including the cost of electricity)

Seasonal - Residential (formerly Seasonal High Density/Normal Density)

\$131.53 (not including the cost of electricity)

For more information on Hydro One, visit: www.hydroone.com

Sincerely,

Amanda

Hydro One Networks Inc.



-----Original Message-----

From: [REDACTED]
Received: 5/24/2011 12:24:20 AM
To: CustomerCommunications@HydroOne.com
Subject: Re: TOU Case Ref: SA117204X Case Ref: SA117204X

So, assuming 1000 KW hours per month what is the total charge for each of these customers below?

----- Original Message -----

From: CustomerCommunications@HydroOne.com
To: billcheshire@sympatico.ca
Sent: Friday, May 20, 2011 12:07 PM
Subject: Re: TOU Case Ref: SA117204X Case Ref: SA117204X

Dear Mr. Cheshire,

Thank you for your email.

For your reference, provided below are the calculations for Seasonal and Residential customers for the properties located on Ponacka Road:

Effective May 1, 2011:

Residential - Low Density (R2) - (formerly Residential - Normal Density (R2) & Farm Energy w/RRP credit)

Delivery

Distribution Flat Charge (\$60.61/month) \$ 60.61

Rural Rate Protection Credit \$ 28.50

Distribution Volume Charge (\$/kWh - metered consumption) \$.03546

Transmission Connection Charge (\$/kWh - adjusted consumption) \$.0044

Transmission Network Charge (\$/kWh - adjusted consumption) \$.00574

Regulatory Charges

Standard Supply Admin Charge (\$.25/month) \$.25

Rural Rate Protection Charge (\$/kWh - adjusted consumption) \$.0013

IESO Wholesale Market Service Rate (\$/kWh - adjusted consumption) \$.0052

Debt Retirement Charge (metered consumption) \$.007

Total Loss Factor 1.092

Seasonal - Residential (formerly Seasonal High Density/Normal Density)

Delivery

Distribution Flat Charge (\$23.98/month) \$ 23.98

Distribution Volume Charge (\$/kWh - metered consumption) \$.08257

Transmission Connection Charge (\$/kWh - adjusted consumption) \$.00431

Transmission Network Charge (\$/kWh - adjusted consumption) \$.00543

Regulatory Charges

Standard Supply Admin Charge (\$.25/month) \$.25

Rural Rate Protection Charge (\$/kWh - adjusted consumption) \$.0013

IESO Wholesale Market Service Rate (\$/kWh - adjusted consumption) \$.0052

Debt Retirement Charge (metered consumption) \$.007

Total Loss Factor 1.092

For more information on Hydro One, visit: www.hydroone.com

Sincerely,

Amanda

Hydro One Networks Inc.

So the rate I pay for the flat charges is 41% more than my next door neighbour. And it gets worse..

For variable distribution I pay (\$/kWh - metered consumption) \$.08257 and he pays (\$/kWh - metered consumption) \$.03546 or 232% more..Again this is before electricity.

So depending on consumption my distribution charge is 41% to 230% more than my neighbour. What is wrong with this picture? Let me count the ways....

Regulatory Governance

Many different services are provided to me from Municipalities and from private, but regulated, utilities. Gas, Water, Sewage, telephone, Internet, Satellite, Cable; the list grows annually. But no other regulated utility is allowed to charge a rate based on whiter you have two or more properties.

It gets worse. There are a number of LDC's (local distribution companies) attached to municipalities in Ontario. Not one is allowed to charge a fee structure based on land ownership. So why does the OEB support this rate structure from Hydro One? We can only guess

Deflection

Hydro One takes great pains to explain that the TOU program can be a real cost saver for folks. When I look up my usage it is always front and centre with the Green Yellow and Red bars. And certainly Bell used TOU pricing in the past when they could operate with no competitive environment. My how competition has reduced those old pricing models for phone service! But for electricity its simply obfuscation and trying to make folks feel guilty about not doing their washing in the Green time zone to save 10cents in electricity cost (while the core distribution costs have gone up exponentially over the time they have been promoting TOU). I am not sure if its working but all of the meetings of Hydro none

customers I have been to see this for what it is: simply a move to try to deflect attention away from their egregious pricing practices which have OEB support.

Fictitious Demographics and Definitions

If you go to the Hydro One website, they try to justify the charges base on descriptions of seasonal properties as “cottages” or “camps”. Then they talk about how it is more expensive to service the wilderness areas in Ontario. What poppycock! Most of cottage country in Ontario is now a mixture of permanent and seasonal resident with a lot of gray areas where folks use their recreational property regularly throughout the year but it is not there only residence..they have a condo in the city. As above ,no other utility tries to justify an outrageous rate structure with an attempt to turn the clock back 50+ years. Hydro One knows better: they simply have no legitimate response to this pricing policy so they leave this on their site and they call it “Seasonal” service although it has nothing to do with usage.

Misleading Measurement Claims

In Ontario we spent about 2 Billion on smart meters. I can observe my electric usage from my home in Mississauga, by the hour and Day. Buy Hydro One says they can't really install a usage based pricing system that simply charges folks based on consumption. For some reason the OEB goes along with this claim...I can't understand why. Of all the utility costs into a property, Hydro One (and local LDC's) have the best measurement system by far.

Outrageous Residency Requirements

So having gotten OEB approval on this preposterous rate structure outlined above , Hydro One goes further and requires an affidavit and lots of bureaucracy and forms to prove you are what they call an R2 above. And its not about having two residences in a Hydro One serviced area. In my case I get hydro service from the Mississauga LDC (Enersource) as well as Hydro One..separate LDC's, yet I must pay as a seasonal. We use our property about 5/12 months throughout the year. Now Hydro One (and the OEB) know that this pricing model is simply an additional tax on folks with more than one residence. But 41-230% more. Try having this passed as a residency tax by the Liberal govt and see how far it gets!

Pricing based on residency, not usage

My neighbour at the lake (same poles, etc.) heats with wood and so his electricity usage is much less than mine (I use about 14000 KWH per year) . Yet he pays substantially less per KWH than I do (R2). How can this make any sense to the OEB when they look at other utility suppliers, some of whom give a volume rebate? What is the basis for the flat and variable cost portions of the Hydro One structure above? Surely there can be no justification for the 230% higher volume distribution charge? I suspect its just obfuscation as with the other elements of the pricing structure..

The Zero Sum Trap

Hydro One regularly spends millions on external assessments of their rate structure, which as we know is way more complicated than any of its utility comparators. I suspect this is done to sway the OEB that they are doing a good job matching revenues to expenses for the various constituencies they service. But when specific groups challenge the rate structure two important outcomes happen:

1. Hydro One will not show you the details on how they allocate costs between my R2 neighbour and my Seasonal property.. its all done scientifically but they cant tell me how
2. When challenged in 2011 by a Waterfront Association, they admitted they were overcharging Seasonals (using this revenue/expense model which they wont let you see). But they claimed it was the job of the Seasonals to tell them who should absorb the additional costs. Ultimately they gave a paltry adjustment to the Seasonal class. But this highlights a number of issues: who is look at the whole multi million dollar pie Hydro One is apportioning as distribution costs? And why is it the responsibility of one class to apportion costs to another? This is absurd

Recommendations

Many utilities have a combination fixed and variable costing formula. That is not the issue.

Some utilities charge more in geographic areas that are costly to service. That is not the issue.

In 2014 there is no justification for a pricing structure which is based on the utility in question's definition of residency..It simply isn't a fair way to price servicing and should not be allowed by the OEB. We have a residence at the lake which we use regularly... as does our next door neighbour..how can the OEB justify approving a pricing structure which charges me 41-230% more for distribution ?

Remember these are not my numbers but Hydro One's above.

If the Liberal Government in Ontario wants to charge a multiple residency tax then let them do it in an open and transparent way. They may get away with it as the Harris government did by using the MPAC system to unduly tax waterfront properties. But don't allow them to hide this tax in electricity pricing.

[REDACTED]

[REDACTED]

cc. Andre Marin, Ontario Ombudsman

Charles Sousa , MPP Mississauga South

