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**Susan Frank**

Vice President and Chief Regulatory Officer  
Regulatory Affairs



April 29, 2014

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
Toronto, ON, M4P1E4

Dear Ms. Walli:

**EB-2012-0384 – Progress Report on Time-of-Use (“TOU”) pricing**

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Hydro One Networks Inc. (“Hydro One”) filed an application with the Ontario Energy Board (“Board”) on September 21, 2012, under section 74 of the Ontario Energy Board Act, 1998, seeking an exemption from the mandated date for the implementation of TOU pricing date for certain “hard-to-reach” Regulated Price Plan (“RPP”) customers.

On December 21, 2012, the Board granted Hydro One a two-year exemption. The Board’s Decision and Order stated that Hydro One will be exempted from the requirement to apply TOU pricing under the Standard Supply Service Code for its identified hard-to-reach RPP customers effective January 1, 2013 to December 31, 2014.

The Board also directed Hydro One to file reports, on April 30, 2013 and April 30, 2014, on its progress to transition the identified “hard-to-reach” RPP customers to TOU pricing.

The attached report covers the period from April 1, 2013 to March 31, 2014.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

Attach.

**EB-2012-0384**

**Hydro One Networks Inc. - Progress Report**

**Transition of Hard-to-Reach Regulated Pricing Plan Customers  
to Time-of Use Pricing**

**April 1, 2013 to March 31, 2014**

In its response to the Ontario Energy Board (“Board”) Staff Interrogatory Questions (EB-2012-0384, Exhibit I, Tab1, Schedule 1, Page 2, submitted on November 14, 2012), Hydro One Networks Inc. (“Hydro One”) indicated that there were approximately 122,000 “hard-to-reach” Regulated Price Plan (“RPP”) customers in its service area as of October 31, 2012.

This report describes Hydro One’s progress to transition the identified “hard-to-reach” RPP customers to Time-of-Use (“TOU”) billing for the period April 1, 2013 to March 31, 2014.

### **TOU Implementation Progress from April 1, 2013 to March 31, 2014**

- 1. Total number of RPP eligible customers (as of March 31, 2014): 1,221,051**
- 2. Number of “hard-to-reach” RPP customers transitioned to TOU pricing (April 1, 2013 to March 31, 2014): 39<sup>1</sup>**
- 3. Total cumulative number of customers on TOU pricing (as of March 31, 2014): 1,106,137**
- 4. Information on any new available technologies for these “hard-to-reach” customers:**

No new technologies have been identified.

- 5. Progress in the ongoing monitoring of cost effective technologies:**

Hydro One continues to monitor technologies for “hard-to-reach” customers such as Low Frequency Radio Frequency (400 MHz) Extension and Power Line Communications (PLC).

Hydro One’s experience to date with 400 MHz Extension indicates that while the solution can be effective to extend the range of network coverage into the peripheries of white space areas, its long-term viability and economics are far from certain. The solution requires a high degree of customization in its designs, is limited in its reach, and involves a lengthy Industry Canada licence approvals process with no guarantee of renewal.

Hydro One continues to monitor and evaluate advancements in the effectiveness and economics of Power Line Communications (PLC) technology.

- 6. The costs related to any of these technologies:**

Hydro One issued a Request for Proposal (RFP) for 400 MHz equipment in 2013. Vendor responses were in line with expectations and equipment has performed satisfactorily. However, Hydro One’s overall experience with 400 MHz extension continues to be too limited to give reliable cost information given the high degree of customization in its designs for different geographical locations.

- 7. Any other related information that would inform the OEB on Hydro One’s progress to transition hard-to-reach customers to TOU pricing:**

Given that there continue to be no options available to economically meet full compliance for the “hard-to-reach” customers and this situation is not expected to be resolved until there is material

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<sup>1</sup> Please note that the total number of RPP customers on TOU pricing has increased from 1,097,791 (as of March 31, 2013) to 1,106,137 (as of March 31, 2014). However, only 39 customers are from the originally identified 122,000 “hard-to-reach” customer list. Most of the increase comes from newly connected RPP customers.

improvement and expansion of telecommunications infrastructure in these areas, it is not anticipated that there will be significant progress to transition “hard-to-reach” customers in the exemption period and in the near future.

Hydro One’s recent focus has been on increasing the reliability of its existing TOU smart meter population through network tuning. While the final phase of tuning is nearing completion, there will very likely be a residual number of TOU meters that do not meet desired reliability. Hydro One is currently assessing potential options for these customers.

Currently, to enable TOU billing for a certain number of non-communicating smart meters, Hydro One needs to deploy its service personnel to travel to those customers’ locations and download smart meter readings on a periodic basis, using a mobile device. The hourly meter information stored on this device would then be transferred for processing and subsequent use for TOU billing. While this option enables accurate TOU billing, it is not able to transfer the hourly consumption information to customers on a daily basis (which is mandated by Ontario Regulation 425/06) and therefore it is not a compliant TOU solution. In addition, the travel cost to remote locations is high and the technology (e.g. Drive-X<sup>2</sup>) is still under development.

Moving customers with poorly communicating smart meters from TOU to two-tiered billing is a practical solution to reduce bill estimation, true-up and travel cost.

Further, Hydro One is assessing the implications of the announced phase out of Code Division Multiple Access (CDMA) networks, by Ontario’s cellular service providers, both on its existing smart meter communications network and on white space areas. While Hydro One has been negotiating with service providers to extend service deadlines, the phase out of CDMA is imminent. Hydro One is working with our vendor and communication carrier to assess both coverage and reliability implications. The phase out of CDMA has a significant risk profile and may impact our ability to continue the connection with our current communicating smart meters.

To conclude, the current assessment continues to indicate that there is no economic and viable solution to accommodate TOU billing for Hydro One’s “hard-to-reach” customers. Since this situation is not expected to change in the near future, any significant investment to find a TOU solution for these “hard-to-reach” customers at this moment would be imprudent and unfair to other Hydro One rate payers. As such, Hydro One intends to seek an indefinite exemption from the mandated date for the implementation of TOU pricing for “hard-to-reach” RPP customers in the third quarter of 2014, which includes reverting some time-of-use customers to two-tier rates.

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<sup>2</sup> Hydro One has recently developed “Drive-X”, which allows its service personnel to drive to (instead of walking up to the meter) the customer’s property and collect all the hourly meter data. Hydro One continues to test and try to improve the performance of this technology.