



ONTARIO ENERGY BOARD

BOARD STAFF SUBMISSION

**Application for Extension to Mandated Time-of-Use
Pricing Date for Certain Regulated Price Plan Customers**

Hydro One Networks Inc.

EB-2014-0360

February 13, 2015

BACKGROUND

Hydro One Networks Inc. (“Hydro One”) filed an application dated December 1, 2014 with the Ontario Energy Board (the “Board”) under section 74 of the *Ontario Energy Board Act, 1998* (the “Act”) for a licence amendment granting an extension in relation to the mandated date for the implementation of time-of-use (“TOU”) pricing rates for certain Regulated Price Plan (“RPP”) customers.

On August 4, 2010 the Board issued a determination under Section 1.2.1 of the Standard Supply Service Code to require the implementation of TOU pricing for RPP customers. The determination established mandatory TOU implementation dates for each electricity distributor.

On December 21, 2012 Hydro One was granted an extension to its mandated TOU pricing date for certain identified hard-to-reach RPP customers that are outside Hydro One’s smart meter telecommunications infrastructure. Hydro One stated that there were no current options that would meet full compliance to providing TOU pricing to these customers. Hydro One indicated that the options that were available to reach these customers would achieve only partial compliance and create excessive costs. Hydro One stated that the situation was not expected to be resolved until there is improved telecommunications infrastructure in place or when future technological advancements in automated meter reading infrastructure become available. The extension began on January 1, 2013 and expired on December 31, 2014.

On December 1, 2014 Hydro One filed an application for a further extension to its TOU pricing date for these hard-to-reach customers. Hydro One requested that the extension begin on January 1, 2015 and remain in place until December 31, 2019. Hydro One states that during the previous extension period 12,000 of the identified

hard-to-reach customers were successfully migrated to TOU pricing. Hydro One requests that this extension apply to the remaining 110,000 hard-to-reach customers as well as 50,000 customers currently on TOU pricing that demonstrate consistently unreliable meter communication resulting in billing errors and consumer dissatisfaction. Hydro One also requests that the extension apply for approximately 10,000 new customers who are projected to be connected to Hydro One's service area during the requested five year exemption period.

On December 18, 2014, the Board issued an Interim Decision and Order granting an interim extension of the exemption to June 30, 2015 or until the final determination of the current application, whichever is earlier.

On December 22, 2014 the Board issued its Notice of Application and Written Hearing in this proceeding. The Notice set dates for parties to file written interrogatories and submissions. On January 16, 2015 Board staff filed interrogatories on the application. Hydro One responded to the interrogatories on January 30, 2015. No other parties submitted comments.

This submission is provided by Board staff following a review of the application and evidence filed in this proceeding.

STAFF SUBMISSION

Following a review of the application and evidence filed in this proceeding, and having reviewed the applicant's responses to the interrogatories, Board staff supports granting the requested extension of the licence exemption but recommends a number of conditions as discussed below.

Geographic Locations

Board staff's interrogatories to Hydro One sought to further the record with respect to the geographic locations of customer accounts identified in the application.

Board staff's interrogatories also requested that the applicant confirm the status of available commercial cellular network coverage, current and projected, in each location identified. In addition, the applicant was requested to provide a breakdown by indicating the reason why customers are affected (telecommunications infrastructure, automated meter reading infrastructure, etc.).

In its responses to Interrogatories #1-3, Hydro One provided a comprehensive list of the geographic locations of all customers identified in this application including the 110,000 hard-to-reach customers, the 50,000 customers currently on TOU pricing that demonstrate consistently unreliable meter communication, and the 12,000 hard-to-reach customers that were successfully migrated to TOU pricing during the previous extension period. The source of data, Hydro One's Customer Information System, does not contain Ontario municipalities and in lieu of municipality, Hydro One provided a customer breakdown by Hydro One operations centres. In addition, a spreadsheet was provided with a further breakdown to Ontario Township. Staff believes this information is helpful to the Board and is satisfied with the level of detail provided.

Customer Treatment

Board staff's interrogatories to Hydro One also sought to further the record with respect to the applicant's plans to ensure that any customers currently on TOU pricing that are converted to two-tier pricing do not receive consecutive, multiple or persistent estimated bills. Board staff interrogatories also requested specific details on how the applicant intends to treat any TOU customers converted to two-tier pricing who receive large true-ups, multiple bills, and large withdrawals from

bank accounts as a result of estimated bills. In addition, the applicant was asked to confirm whether customer accounts identified in this application who remain affected by smart meter network communication issues will be excluded from credit and collections activity, including disconnection, during the five year exemption period requested and whether these affected customers will be subject to late payment charges, installation of load limiters, and auto-dialer calls.

In its response to Interrogatory #4, Hydro One indicated that it does not expect that converting customers to two-tier rates from TOU pricing will be a contributor to instances of consecutive, multiple or persistent estimated bills. Hydro One's request to switch specific hard-to-reach customers, who are currently on TOU pricing to two-tier rates is driven by the fact that Hydro One is unable to implement an economic remote meter reading solution that is reliable enough to support TOU billing.

Board staff notes that Hydro One's current billing practice for its residential (other than seasonal) and general service customers on two-tier pricing is to bill on a monthly basis and manually read the meter on a quarterly basis. Hydro One indicated that to the extent that the Advanced Metering Infrastructure network provides remote reads within the billing window, these reads will be used to issue bills based on an actual read instead of a planned estimate.

In its response to Interrogatory #5, Hydro One indicated that it does not see a need to exempt customer accounts that are part of this exemption from any aspects of the normal collections activity as these customers will be billed based on predictable meter read frequency and any collections activity will be based on actual reads.

Board staff is of the view that these customers will continue to receive estimated bills, based on planned estimates. In cases where a remote read is not received within the billing window, Hydro One will issue a bill on the basis of an estimated meter read. It is not clear how moving this group of approximately 50,000 hard-to-reach customers to two-tier pricing allows the applicant to eliminate the need to issue bills based on multiple or consecutive estimates.

Board staff is of the view that all customer accounts identified in this application that remain affected by smart meter network communication issues should be excluded from credit and collections activity, including disconnection, during the five year exemption period requested, unless collections activity is based only on actual meter reads. Board staff is also of the view that these customers should not be subject to late payment charges, installation of load limiters, and auto-dialer calls.

Hydro One reported in its responses to Board staff interrogatories that any collections activity will be based on actual reads. Board staff submits that should the Board grant the extension, the applicant should be required to ensure all customer accounts identified in this application that remain affected by smart meter network communication issues be eligible for disconnection only if the disconnection notice followed an invoice based on an actual metered consumption.

Board staff also notes that switching existing TOU customers to two-tier pricing is unprecedented and affects customer demand management opportunities. TOU customers could potentially lower their bills by shifting their consumption from on-peak to mid-peak and/or off-peak periods. This opportunity will not be available once they are migrated to two-tier pricing.

In its response to Interrogatory #10, Hydro One indicated that all existing and applicable Hydro One Conservation and Demand Management (“CDM”) programs are available to all customers, whether on TOU or two-tier. As part of the Hydro One communications plan, affected customers will be informed of the availability of these CDM programs and also help them understand these programs and manage their electricity use and costs on two-tier pricing.

Reporting

Board staff submits that Hydro One provide written notice to the Board not less than 30 days from the date it begins converting the approximately 50,000 hard-to-reach customers to two-tier pricing, if granted by the Board. Further, Board staff recommends that the written notice include a copy of the applicant’s communications plan, direct mail notification package, and call centre scripting referred to in the applicant’s response to Interrogatory #4.

In its application, Hydro One requested that the reporting schedule required by the Board in its approval of the previous extension in EB-2012-0384 be eliminated due to the fact that Hydro One already reports on the number of customers in its TOU and two-tier pricing as part of the quarterly *Regulatory Reporting Requirement* (“RRR”). Board staff is of the view that Hydro One should continue to have some reporting function built into the extension beyond what is reported in the RRR.

In its response to Interrogatory #6, Hydro One presented suggested reporting requirements during the course of its TOU extension period. Board staff agrees with the reporting requirements and the proposed timeframes for reporting and submits the Board should stipulate that Hydro One report on the following:

- Status updates of any potential significant improvements in telecommunications infrastructure and/or future technological advancements in automated meter reading infrastructure;
- An update on reliable cellular network coverage expansion and its impact on affected customers; and
- Hydro One's progress in transitioning hard-to-reach customers to TOU pricing.

All of which is respectfully submitted.