



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2015-0176

HYDRO ONE NETWORKS INC.

**Application for Exemption from Sections 2.10.1, 7.11.1-7.11.7 of
the Distribution System Code**

BY DELEGATION, BEFORE: Peter Fraser
Vice President,
Industry Operations & Performance

September 24, 2015

INTRODUCTION AND SUMMARY

Hydro One Networks Inc. (Hydro One) has applied for an amendment to its Electricity Distribution Licence, ED-2003-0043. The amendment would exempt the utility from certain sections of the Distribution System Code (DSC) relating to estimated billing and billing accuracy. The amendment specifically pertains to approximately 170,000 of the utility's "hard to reach" customers. Hydro One requests that the Ontario Energy Board (OEB) make the exemption effective April 15, 2015 until December 31, 2019.

The OEB approves the application for the reasons set out below.

THE PROCESS

This Decision and Order is being issued by Delegated Authority, following a written hearing, pursuant to Section 6 of the *Ontario Energy Board Act, 1998* (Act).

THE APPLICATION

Background

On April 15, 2015, in the proceeding EB-2014-0198, the OEB issued an amended DSC. The amendments included revisions to sections of the DSC relating to billing accuracy and estimated billing. Notice of the OEB's proposal to amend the DSC had previously been issued on February 5, 2015.

On May 6, 2015, Hydro One applied for an exemption from Section 2.10.1 and Sections 7.11.1 to 7.11.7 of the DSC. Among other things, these sections of the DSC require 98% billing accuracy and limit the use of estimated billing. A Notice of Application and Written Hearing was issued on May 29, 2015, establishing dates for the filing of interrogatories and submissions by interested parties and for responses by the applicant.

The OEB received a number of written requests from interested parties that it hold an oral hearing. On June 19, 2015 the OEB issued its Decision on Request for Oral Hearing and Procedural Order No. 1. The OEB found that a written hearing would be sufficient to obtain a complete record on the issues relevant to the application. The

OEB noted that the Notice of Application and Written Hearing allowed for concerned customers to ask questions of Hydro One in writing and that they would be able to make their concerns heard through written submissions. While not satisfied that there was good reason to hold an oral hearing, the OEB extended the time for parties to ask questions of the applicant and to set out their views on the application evidence in writing.

In one of the letters of comment, dated June 15, 2015, three interested parties jointly submitted their concerns over how the exemption would affect their bills and requested that the OEB deny the application as filed. Hydro One wrote to the OEB on August 14, 2015, noting that although the OEB received a number of letters of comment from customers, “Hydro One did not receive specific written questions or formal submissions on the application” and submitted that the OEB “has sufficient information to approve this application as submitted.”

Request for Exemption from certain sections of the DSC

Hydro One has identified approximately 170,000 of its customers that are located in remote and sparsely populated areas with no existing commercial cellular network or a low level of communication reliability as “hard to reach”. Hydro One submits that, with respect to this group of customers, 98% of the time it cannot economically provide monthly bills that are based on actual reads and, as well, it cannot economically issue regular Time-of-Use (TOU) bills based on actual meter readings. Hydro One submits that the costs associated with doing so would be excessively high, resulting in upward pressure on rates, and that the option of providing this group of customers with monthly, manually-read bills would be expensive. Hydro One also states that the situation is not expected to be resolved until there is improved telecommunications infrastructure in the province or when future technological advancements in automated meter reading infrastructure become available.

With regard to non-seasonal hard to reach customers, Hydro One proposes that bills be issued on a monthly basis and that meters be manually read on a quarterly basis. 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 the planned estimate. With respect to seasonal hard to reach customers, the utility proposes that bills be issued on a quarterly basis and that meters be read on an annual basis.

Hydro One's requested exemption in this proceeding would apply to the same approximately 170,000 hard to reach customers for which the utility received an exemption (relating to the mandated TOU pricing date) in OEB proceeding EB-2014-0360. The extension granted in that proceeding is in effect until December 31, 2019.

FINDINGS

I find that the exemption to the sections identified in the DSC with regard to estimated billing and billing accuracy for the identified customers should be granted, with certain conditions set out below. Hydro One will be exempted from the requirement to provide monthly bills based on actual reads 98% of the time for the approximately 170,000 of its identified hard to reach customers until December 31, 2019.

During the course of the proceeding, a group of interested parties filed a letter of comment calling for increased accountability and transparency when reconciling a customer's bill. The interested parties also requested that the OEB deny the application as presented and hold Hydro One accountable for a "workaround solution to the current problem." I have considered the comments from the interested parties, however given that this segment of customers has already been identified in a prior proceeding (EB-2014-0360) as having connectivity issues and technological constraints, I accept Hydro One's assertion that it is not possible to economically make all meters communicate reliably enough to issue regular monthly TOU bills based on actual meter readings. I accept Hydro One's submission that the costs associated with the options available to make the meters communicate reliably enough are excessively high and would result in upward pressure on rates.

Hydro One has proposed a solution for both non-seasonal residential and general service <50 kW as well as its seasonal customers. The proposals include monthly bills based on estimates with quarterly bills based on actual manual meter reads for non-seasonal customers and quarterly estimated bills and annual meter reads for seasonal customers. Hydro One also stated that to the extent that the network allows, remote reads will be used to issue bills based on an actual read instead of the planned estimate. I find the proposal to be reasonable given the circumstances.

I do share the concerns raised by some of the interested parties about the implications of a potential for error in estimated bills. These concerns are particularly important given the large number of customers that are affected by the proposed exemption. Indeed, if these customers constituted a separate electricity distributor, it would be the seventh largest distributor in the province.

The application is granted on the condition that Hydro One not use estimated bills as the basis for issuing disconnection notices or performing disconnections; that Hydro One refrain from using estimated bills as the trigger for installation of load limiters; and that any collections activity be based on actual reads during the five year exemption period. I note that these are similar conditions to those which Hydro One agreed to in its reply submission in the EB-2014-0360 proceeding.

Similar to the TOU pricing date extension granted in proceeding EB-2014-0360, I find that reporting to the OEB would be helpful in monitoring Hydro One's progress in transitioning the identified hard to reach customers to monthly billing based on actual reads and on significant technological improvements and updates on reliable cellular network expansion. I also find that additional details with regard to billing accuracy and estimated bill reporting would be helpful including:

- The number of hard to reach customers receiving estimated bills as a result of smart meter network communication issues;
- An assessment of the accuracy of estimated bills;
- How Hydro One has and will be improving its accuracy with respect to estimated bills and how it is mitigating future estimated bills to be as accurate as possible.

I encourage Hydro One to continue its efforts to identify cost-effective technological solutions during the exemption period.

IT IS ORDERED THAT:

1. Hydro One Networks Inc.'s Electricity Distribution Licence ED-2003-0043, specifically Schedule 3 List of Code Exemptions, is amended to include an exemption from Section 2.10.1 and Sections 7.11.1 to 7.11.7 of the Distribution System Code in respect of approximately 170,000 Regulated Price Plan customers who, as of December 1, 2014, are:
 - i. outside the smart meter telecommunications infrastructure reach of Hydro One Networks Inc.;
 - ii. currently on TOU pricing with consistently unreliable communication resulting in billing errors; and

- iii. new hard to reach customers who are expected to be connected to Hydro One Network Inc.'s service area during the requested exemption period.
2. This exemption shall be effective as of April 15, 2015 until December 31, 2019.
3. Hydro One Networks Inc. shall comply with the OEB's directions in this Decision and Order regarding disconnections, load limiters and collections; and, shall file a report to the OEB on its progress including the reporting requirements outlined above to transition the identified hard to reach customers to monthly billing based on actual reads 98% of the time on December 31, 2015, December 31, 2016, December 31, 2017 and December 31, 2018.

DATED at Toronto, September 24, 2015

ONTARIO ENERGY BOARD

Original signed by

Peter Fraser
Vice President, Industry Operations & Performance