

Hydro One Networks Inc.

7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5680
Cell: (416) 568-5534
frank.dandrea@HydroOne.com



Frank D'Andrea

Vice President, Regulatory Affairs & Chief Risk Officer

BY RESS and COURIER

April 12, 2019

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli,

EB-2015-0043 – Hydro One Networks Inc. - Staff Report to the Board: Rate Design for Commercial and Industrial Electricity Customers, Rates to Support an Evolving Energy Sector

On February 21st, the Ontario Energy Board (“OEB”) released a *Staff Report to the Board: Rate Design for Commercial and Industrial Customers to Support an Evolving Electricity Sector* (“the Report”). The OEB invited interested stakeholders to provide comments on the Report by April 12, 2019. Hydro One Networks Inc. (“Hydro One”) appreciates the opportunity to provide comments on the Report.

Hydro One hereby submits its comments in respect of the Report. Comments have also been submitted electronically through the OEB’s Regulatory Electronic Submission System.

Sincerely,

ORIGINAL SIGNED BY HENRY ANDRE ON BEHALF OF FRANK D’ANDREA

Frank D’Andrea
Encls.

**Staff Report to the Board: Rate Design for Commercial and Industrial Electricity
Customers, Rates to Support an Evolving Energy Sector
(EB-2015-0043)**

Hydro One Submission

Introduction

On February 21, 2019, OEB staff issued the *Staff Report to the Board: Rate Design for Commercial and Industrial Electricity Customers, Rates to Support an Evolving Energy Sector (EB-2015-0043)* (the “Report”) which included proposed rate designs for commercial and industrial customers. The OEB indicated that the proposals are intended to support customers’ adoption of new technologies while encouraging efficiency in the operations of distribution networks.

The following table reproduced from the Report summarizes OEB staff’s proposed rate design changes:

Class	Current Rate Design	Proposed Rate Design
General Service Less than 10 kW	Monthly Service Charge + consumption charge (per kWh)	Monthly Service Charge (fully fixed – average cost)
General Service 10 to less than 50kW		Monthly Service Charge + demand charge (per kW)
General Service 50kW and Over	Monthly Service Charge + demand charge (per kW)	Monthly Service Charge + demand charge (per kW) + Capacity Reserve Charge
Large (over 5000 kW)	Monthly Service Charge + demand charge (per kVA)	Monthly Service Charge + demand charge (per kVA) + Capacity Reserve Charge <ul style="list-style-type: none"> • Emergency Backup • Maintenance • Bypass

For Large users, the Report recommended that utilities would offer a Capacity Reserve Charge (CRC) tailored to each customers desired service level (e.g. full emergency backup, maintenance service).

This document contains Hydro One’s comments regarding the proposals in the Report. Hydro One has also provided comments through a joint submission submitted by the Coalition of Large Distributors.

Summary of Key Recommendations

For the reasons described further in the submission, Hydro One recommends that:

- Utilities are afforded time to make any required enabling investments in billing systems and metering infrastructure before the OEB mandates the use of the new classes.
- A kW threshold be adopted to separate the two proposed GS < 50 kW sub-classes as it results in class definitions that are more reflective of cost causality.
- A buffer be established for determining customer reclassifications between the GS < 10 kW and GS 10-50 kW classes to minimize the number of annual reclassifications, to the benefit of both customers and distributors.
- Utilities be provided flexibility in the implementation period for the rate design transition in order to ensure that customer rate increases are kept to reasonable levels.
- Further engagement is conducted regarding the Capacity Reserve Charge (CRC) proposals. Hydro One is supportive of the principle behind the CRC but believes further work is required before such an approach can be implemented.
- The cost allocation model for GS > 50 kW and Large User classes should be modified to ensure costs allocated to those classes reflect the additional capacity held in the distribution system to provide service to customers when their distributed energy resources (DERs) are unavailable.
- A financial penalty should exist as the default option for customers that do not abide by their maintenance or bypass obligations. The penalty should be sufficiently large to incent the appropriate customer behavior. Utilities should have the option to install load limiters on constrained assets where the risk of impacting other customers is high.

General Comments

Hydro One has reviewed the recommendations of Report and is largely supportive of staff's proposals. Hydro One believes that the proposed rate designs make positive steps towards enabling the outcomes articulated by the OEB¹; namely:

- Facilitate customer adoption of technology to manage energy use and costs, including the installation of (DERs)
- Increase efficiency of the system by encouraging cost effective investment in DERs

¹ As listed in the February 21, 2019 letter accompanying the Report.

- Maintain fairness in the recovery of costs of maintaining a reliable and flexible distribution system and ensure that customers who install DERs do not shift costs to other customers
- Facilitate investments to modernize the grid in a paced and prioritized manner that will support customer choice and efficiency

As noted in the Report and in this submission, some customers, and in particular Hydro One's GS < 10 kW customer segment, may experience significant bill impacts as result of the proposed changes. Hydro One submits that the OEB should allow flexibility in the implementation period for any rate design changes to ensure customer impacts are appropriately mitigated.

Hydro One notes that the proposed changes will require enabling investments in billing systems and metering infrastructure. Additionally, utilities will need time and resources to collect the data necessary to appropriately reclassify customers in the GS < 50 kW class and to appropriately determine the level of capacity reserve to be provided for GS > 50 kW customers. Hydro One submits that implementation of any rate design changes should occur only after such investments have been made and the necessary data has been obtained.

While Hydro One is generally supportive of the proposals for the GS > 50 kW and Large User classes, we have several concerns which are articulated in this submission. Hydro submits that the proposals would benefit from additional consultation to consider their practical application prior to implementation.

For Large Users, the Report proposes various charges and suggests that utilities should engage with their customers to provide levels of service tailored to customers' expectations. Hydro One is supportive of providing service that meets the needs and expectations of customers, however the level of flexibility afforded should be balanced against the associated costs and administrative burden that arise with providing that flexibility. There are over 800 customer delivery points in Hydro One's "large user" Sub-Transmission class². The requirement to: (i) engage with each customer to determine whether or not emergency backup service or maintenance service is required, (ii) gather the necessary data on customers' behind-the-meter DERs, and (iii) potentially enter into contractual agreements regarding service provisions with each customer will require material incremental time and resources depending on the level of customization afforded.

² The Sub-Transmission class on Hydro One's tariff most closely matches with the definition of the Large customer class outlined on pg. 14 of the Report.

The Report also states that there will be no change to the underlying cost allocations for the general service customer classes. Hydro One submits that adopting this recommendation for the GS > 50 kW classes would not result in rates that “ensure customers who install distributed energy resources do not shift costs to other customers and maintain fairness in the recovery of costs of maintaining a reliable and flexible distribution system.”³ Over time, this will result in the exact outcome which the proposals in the Report are intending to avoid as the standard allocators are based on forecast system demand (i.e. net of DERs) rather than system capacity. Hydro One submits that further consideration is warranted to determine how the level of emergency backup service provided to GS > 50 kW classes should be reflected in the allocation of costs in the OEB’s cost allocation model.

Two aspects of the Report that Hydro One believes have not been adequately explored are the alignment between the bypass charge proposals and the Distribution System Code requirements, as well as the treatment of CRC commitments between host and embedded distributors.

Finally, Hydro One notes that the OEB recently announced the commencement of two consultations arising from the recommendations of a report issued by its Advisory Committee on Innovation namely; Utility Remuneration (EB-2018-0287) and Responding to DERs (EB-2018-0288). Given the potential overlap in subject matter, Hydro One submits that the OEB should view this matter holistically and consider the feedback in those proceedings prior to making any final determination regarding the rate design of the GS > 50 kW classes.

The OEB may want to consider a phased approach to implementation in which changes for the GS < 50 kW classes are addressed first and changes for the GS > 50 kW and Large User classes are subsequently addressed after further consultation and additional input is gathered from other ongoing consultations. The changes proposed in the Report are significant and it is important the appropriate amount time and care is taken to ensure implementation is as successful as possible.

Hydro One’s more detailed comments regarding the specific recommendations contained in the Report are provided below. Those comments are followed by responses to OEB staff’s specific consultation questions.

³ The Report, pg. 13.

Specific Proposals

The Report proposes that the GS < 50 kW class be split in two sub-classes; (i) a GS < 10 kW class and (ii) a GS 10 - 50 kW class.

GS < 10 kW

The Report proposes creating a GS < 10 kW sub-class that would adopt a fully fixed distribution rate. The Report noted that the smallest general service customers are comparable to residential customers in terms of the nature of their connection to the system and usage patterns. OEB staff proposed that the demand be determined based on the average of the highest hourly consumption in one billing month in a calendar year and the highest hourly consumption in the two months on either side of that peak month. The Report noted that an alternative threshold of 2,000 kWh per month could be used for the proposed sub-class.

Hydro One believes that either the proposed 10 kW or 2,000 kWh per month criteria can be accommodated. Hydro One has analyzed the data from its billing systems for its GSe and UGe customers and has determined that using either a 10 kW or 2000 kWh per month threshold for the new sub-class results in a similar outcome in terms of the resulting load profiles, number of customers, share of total load and estimated average peak. Hydro One agrees with OEB staff that a disadvantage of the kWh per month approach is that it would “not be moving to align the rate design with the cost drivers related to the value of the connection.”⁴ Given that the outcome of either approach would result in a grouping of customers with similar characteristics, Hydro One submits that a kW threshold is more appropriate as it results in class definitions that are more reflective of cost causality.

Hydro One has reviewed its customer load data and notes that there is no natural boundary for separating its GS <50 kW customers into sub-classes. Hydro One found that the load shapes are similar for consumers with a peak monthly demand of 5 through 50 kW. There was a small difference in the average load factor for GS < 10 kW customers (23%) as compared with GS 10 – 50 kW customers (27%) however, not enough to suggest a material difference in usage.

If a GS <10 kW class were adopted, it would result in the creation of an additional rate classification boundary which would result in annual reviews of customer classification. Using billing system data for a sample of its general service customers, Hydro One estimates that between 2016 to 2018 about 5,590 (5%) general service customers per

⁴ Ibid, page 21.

year would have experienced a transition between the proposed GS < 10 kW and GS 10-50 kW classes.⁵ This would result in a significant administrative burden and likely generate customer complaints given the material financial repercussions for customers shifting between classes. A driver of the large number of re-classifications is the weather sensitive nature of load in Hydro One's rural service areas due to increased reliance on electric heating. Given the potentially large number of re-classifications, Hydro One suggests that a buffer (e.g. +/- 1 kW) be adopted for determining the need for re-classifications in future years.⁶ Hydro One anticipates that if a buffer were adopted, the number of re-classifications would be significantly reduced by about 50% per year (for +/- 1 kW buffer). For context, Hydro One's current annual demand monitoring of the 50kW threshold results in about 1,000 customers having to be re-classified each year. The proposed 10kW annual review would require a significant incremental effort to the existing activity tied to the 50kW threshold.

The Report conducted an analysis regarding the potential bill impacts that would arise from adoption of the proposed rate design. Though the overall change in rate design will be revenue neutral for the utility, it will result in bill increases for customers with lower than average usage. The Report noted that 55% of Hydro One's GSe class would experience total bill increases of greater than 20%.⁷ The bill impacts are a particular concern for Hydro One given the large number of very low volume general service customers in its service territory.⁸ Hydro One reviewed a small sample of these customers and found many of the accounts were located on premises that had multiple metering installations (e.g. a separately metered building at the same premise, such as a garage, or separately metered common area of a residential complex).

Hydro One submits that the OEB should afford utilities flexibility in the implementation period for the new GS < 10 kW sub-class in order to ensure that customer rate increases are kept to reasonable levels. The proposed transition period of 4 to 5 years may be appropriate for the majority of utilities however it would result in significant rate impacts for some of Hydro One's low usage GS customers. Hydro One estimates that it would require about 10 years for the GSe < 10 kW class and 6 years for the UGe < 10 kW class to transition to a fully fixed rate and maintain a total bill impact below 10%. Hydro One submits that it is more important to ensure the bill impacts for customers are held to

⁵ This assumes the peak demand is calculated as outlined on page 21 of the report.

⁶ If a customer has a monthly peak of 11 kW, their demand would have decrease to 9 kW before they are shifted to the GS < 10 kW and vice versa.

⁷ Hydro One performed a similar analysis to the Report using 2017 billing information and found that about 38% of its GSe class customers would experience a total bill increase greater than 20% and the highest total bill impact for a GS < 10 kW customer would be an increase of about \$43 (~135%). This would mean that a total bill monthly would increase from about \$32 to about \$76.

⁸ About 16% of Hydro One's GSe customers have an average peak of less than 1 kW and consume about 1% of the total load.

reasonable levels than to have a uniform transition period throughout the province. Hydro One notes that this is consistent with the approach taken by the OEB in the implementation of fully fixed rates for Hydro One's Residential customers.⁹

Beyond the bill impact considerations, the OEB should ensure that utilities are afforded time to make any required enabling investments in billing systems and metering infrastructure before mandating the use of the new classes. Examples of necessary enabling investments are detailed in the discussion for the GS 10-50 kW class below. Additionally, it is critical that a coordinated effort between the OEB and distributors occur in advance of the implementation to educate customers on why these changes are occurring and what steps they can take to mitigate the impacts.

GS 10 - 50 kW

The Report proposed moving customers in the GS 10-50 kW sub-class from a consumption (\$/kWh) charge to a non-coincident demand (\$/kWh/h) charge as a step toward making their rate more reflective of the cost and value of their connection. OEB staff proposed that the billing determinant be defined as the maximum consumption over an hour interval during the billing period (kWh/h). The Report stated that the IESO had confirmed that this information could be provided for these customers but that operational processes of both the MDMR and the distributors Customer Information System (CIS) would have to be synched and tested.

Hydro One agrees that the proposed change to the rate design “will better reflect the value and cost causality relationship” between their use of the system and the distributors costs to ensure the system is available for the customer.

Hydro One submits that the implementation of the proposed change to the billing determinant would have a significant impact on its (CIS) and settlement processes and require material additional investment. Examples of potential investments include the need to:

- Build capability to handle the new rate structure including the activities to transition the impacted customers to the new tariffs.
- Develop and manage of ongoing transitional rate structures (i.e. both kWh and kW billing) for an extended period of time.
- Build or modify the system interfaces between distributors and MDMR to manage incremental support data synchronization during account/meter setup/move

⁹ Though the prescribed transition period was 4 or 5 years for most distributors, the OEB approved a transition period of 8 years for the R1, R2 and Seasonal classes.

in/move out, the creation and administration of verification and estimation parameters and associated exception handling, and processes to handle the additional data coming from the MDMR.

- Change the MDMR (IESO accountability) to handle the new billing determinants.
- Revise processes and procedures around new account setup, and customer service representative training to enable staff to effectively manage customer interactions.

Though the IESO has confirmed that it will be able to accommodate the additional kWh/h billing determinant, it is unclear whether or not it would be an acceptable measure by Measurement Canada. It is critical for the OEB to confirm that the kWh/h billing determinant would be recognized by Measurement Canada before pursuing this proposal.

The Report states that “all customers under 50 kW have a smart meter”¹⁰ and assumes that all customers have meters in place that meet minimum reliability criteria. This is not the case for Hydro One. About 5% of Hydro One’s general service meters are in areas that have communication connectivity issues and technological constraints. Hydro One has obtained an exemption from billing these customers on a time of use basis as the cost to upgrade the metering infrastructure to meet those requirements is prohibitive.¹¹ The OEB will need to consider how to address the rate structure for these customers.

OEB staff proposed to gradually decrease the monthly \$/kWh consumption rate while increasing the hourly \$/kWh/h peak rate as a rate mitigation strategy for implementation of the proposals. Hydro One believes that benefit of this approach is outweighed by (i) the potential for customer frustration in understanding the various components of their bill, (ii) confusion in the resulting price signal sent to customers, and (iii) the additional complexity imposed on implementation by the distributor. Hydro One submits that the transition to the new billing determinant should take place immediately upon adoption and some form of account specific bill impact mitigation be adopted for customers where this results in total bill impacts greater than 10%.

The Report proposed that implementation of changes to the GS < 50 kW class take place without changes to the cost allocation studies currently in use. Given that the load profiles for Hydro One customers consuming 5 kW through 50 kW are similar and the likelihood of DER adoption by these classes is limited, Hydro One expects that the proposal to defer an update to the cost allocation study would not result in any material cross-subsidization between lower demand and higher demand customers when establishing sub-classes.

¹⁰ The Report, page 28.

¹¹ Decision and Order, EB-2015-0176.

GS > 50 kW and Large User Customers

The Report proposed no change to the basis for fixed charge, rate design and allocations for GS > 50 kW customers and Large User customers. However, since these customers were considered more likely to own facilities and make investments in DERs, OEB staff recommended a Capacity Reserve Charge (CRC) for customers who install distributed generation with or without storage. The CRC is intended to represent the cost of distribution system capacity required to supply their electricity needs when their own generation cannot. The CRC payment is to be a fixed payment based on the faceplate rating and capacity factor of the generator, and the underlying demand rate of the class.

Hydro One agrees that no change is required to the rate design for the GS > 50 kW and Large User customer classes. Table 1 of the Report indicates that the Large User class would have a demand charge based on per kVA billing determinant and that the GS > 50 kW would have a per kW billing determinant. Hydro One proposes that the existing billing determining for demand-billed classes remain as currently established on each distributor's tariff to avoid the need for unnecessary billing system and reporting requirement changes. The use of a kVA billing determinant to maintain the incentive for customers to improve their power factor should be permitted, however, distributors should not be required to adopt a kVA or kW determinant if it is not already in place.

Hydro One does not agree with OEB staff's view that there will be no change to the underlying allocations for the GS > 50 kW and Large User classes.¹² Hydro One submits that OEB staff's view would not achieve the objective of "ensure[ing] customers who install distributed energy resources do not shift costs to other customers and maintain fairness in the recovery of costs of maintaining a reliable and flexible distribution system."¹³ The standard demand-based allocators used in the OEB's cost allocation model apportion costs between classes based on their contribution to the actual coincident and non-coincident peaks of the distribution system, as applicable. These allocators do not reflect the capacity held in the system for providing emergency backup service. As DERs become more prevalent for larger users, their relative contribution to the coincident and non-coincident peak of the system reduces, which means they will attract less costs in the cost allocation process and a greater portion of the revenue requirement will be allocated to the other classes. Over time, this will result in the exact outcome which the proposals in the Report are intending to avoid. Hydro One submits that further

¹² Ibid, 36.

¹³ Ibid, pg. 13.

consideration is warranted to determine how the level of emergency backup service provided to the GS > 50 kW and Large User classes should be reflected in the allocation of costs in the OEB's cost allocation model.

Hydro One is supportive of the principle behind the CRC and the objective behind its design but believes further work is required before such an approach can be implemented. Firstly, Distributors do not have visibility regarding all DERs installed behind customers' meters. It will be a very significant exercise to collect and manage the necessary information to adopt a CRC approach. This will require additional enabling investment and resources (e.g. CIS changes, staffing, etc.). Success in implementing a CRC approach will very much depend on transparency from customers.

Second, it is unclear whether the capacity factors for different generation technologies shown in Table 6 of the Report are intended for illustrative purposes or whether OEB staff is proposing a standardized list to be applied for the purposes of billing GS > 50 kW customers. Hydro One submits that requiring distributors to negotiate capacity factors on a case by case basis with GS > 50 kW customers will drive associated costs for resourcing this activity given the potentially large number of customers with DERs¹⁴. Hydro One submits that a standardized list of capacity factors should be adopted for GS > 50 kW customers, but that there be an option to adopt a customer specific capacity factor subject to agreement between the distributor and customer. Where the customer and distributor cannot agree on the capacity factor, the standardized list would apply. Hydro One further submits that a process should be put in place to ensure that the capacity factors are kept up to date over time.

As an alternative to the use of a CRC, Hydro One submits that it may be simpler to adopt a gross load billing approach for GS > 50 kW¹⁵ and Large User customers with DERs that are above a certain threshold. This would have the benefit of: (i) eliminating the need to negotiate a capacity factor, (ii) affording transparency to the utility from the perspective of the customer's potential impact on the system and (iii) simplifying administration of billing settlement.

Large User

Like the GS > 50 kW class, the Report recommended no change to the rate design for Large Users, but proposed the addition of a CRC. However, the CRCs would be tailored to take in to account the level of service that the Large User customer needs (e.g.

¹⁴ For context, Hydro One has about 7,400 customers in all its GS > 50 kW classes.

¹⁵ Hydro One proposes that the requirement for an additional meter for the GS > 50 kW class would only be for behind-the-meter resources above a certain threshold.

emergency backup service, maintenance service). Distributors would be required to discuss with each customer what level of service is required and how it will be accomplished. OEB staff proposed that distributors provide the following CRC services:

- **Emergency Backup Service (EBS)** which is full emergency service that is instantaneously available if the customer's generator fails for any reason.
- **Maintenance Service (MS)** which is negotiated with the distributor to provide full load at off-peak times at the distributor's direction. Since the customer is abandoning load, there would be some form of economic test as an exit payment. It would include the net book value of dedicated assets and some upstream assets as well as the cost of the load limiter.
- **Bypass** is for full or partial disconnection from the system. It involves an economic evaluation to determine the payment owing for the value of the abandoned assets to calculation a full of partial bypass charge.

The Report states that Large Uses "are few in number" but that is not the case for larger utilities such as Hydro One. There are over 800 customers in Hydro One's sub-transmission class. The requirement to individually engage with each customer to collect the necessary data and negotiate customized levels of service could create a significant administrative burden and result in additional costs to ratepayers. It's not clear how often utilities would have to engage with customers; is it an annual determination or is it a discussion that occurs once and holds for the duration of the capacity allocation or connection agreement? The requirement to negotiate could lead to different contractual arrangements for different customers, which would require changes to a distributor's CIS to accommodate customized billing parameters for each customer. Hydro One submits that it may be simpler to adopt a gross load billing approach whereby the output of the DER is separately metered.

The Report does not consider complications regarding the CRC approach in the settlement between host and embedded distributors. Any load displacement generation in the embedded distributor's territory will have a corresponding load impact at the host distributor level. Ultimately, embedded distributors would be required to make certain capacity commitments to their large customers based on their negotiated needs. In order for the embedded distributor to meet its commitment they would also be required to reserve upstream capacity from the host distributor. Where a distributor is fully embedded to a host, the relationship of upstream capacity is simple, 1:1. Where a distributor's territory is partially embedded the determination of the appropriate level of upstream capacity reserve may be less clearly identified as some capacity will be provided by the host distributor and some by the transmission system. Hydro One

submits that further consultation and clarification is required regarding the treatment of CRC for embedded distributors prior to implementation.

Similarly, the OEB may wish to consider whether the concept of the CRC should also apply in instances where there are transmission-connected customers that use the distribution system for EBS. The nature of service provided to these customers by the distribution system is the same as the service provided to customers that have behind-the-meter DERs.

In order to ensure customers do not access EBS or MS without paying for it, the Report proposed a penalty which could be either a physical limitation or financial penalties. Hydro One submits that a financial penalty should exist as the default option. The penalty should be sufficiently large to incent the appropriate customer behavior. A customer drawing more than their reserved capacity from the system can impact service to others and cause outages where assets are constrained. Given a utilities obligation to serve all customers, distributors should have the option to install load limiters on constrained assets where risk is high.

Hydro One has concerns regarding the application of a bypass charge. It is unclear how the proposed bypass charge would work in tandem with the requirements of Section 3.5 of the Distribution System Code (DSC) related to bypass charges. For example, the description of the bypass charge on page 45 of the Report mentions connection assets, which are largely funded by capital contributions, but is silent on expansion or enhancements built to service the customer. This definition does not align with section 3.5.3 of the DSC which more broadly references “distributor-owned asset.”¹⁶ Without consideration of the expansion or enhancement assets that were built to serve the bypassing customer, a significant source of capital expenditures would still remain stranded with a distributors remaining customers bearing the cost of those assets. It is suggested at a minimum, that an allocation of expansion and enhancement assets that are utilized by the bypassing customer be included in any bypass charge.

Additionally, section 3.5.1 of the DSC states that bypass compensation is only required for customers with a demand greater than 5 MW. The Report notes that the definition of Large User classes is not consistent throughout the province, and in fact, Hydro One’s own Sub-Transmission class includes customers below the 5 MW threshold. Hydro One submits that further clarification and guidance is required on bypass charges before implementation can be undertaken.

¹⁶ The DSC defines “distributor-owned asset” as an asset owned by a distributor other than an asset installed as part of a basic connection.

OEB Staff Policy Questions

1. Regarding the recommendation for a new sub-class of small commercial customers, what is the appropriate definition of the class boundary and whether it would substantially change the customers who are included in the class. Options could include 10kW, 2000kWh per month, or a combination of current and voltage. (ref C.4)

From an implementation perspective, Hydro One believes that either the proposed 10 kW or 2,000 kWh per month criteria can be accommodated if some enabling investments are made. Hydro One agrees with OEB staff that a disadvantage of the kWh per month approach is that it would “not be moving to align the rate design with the cost drivers related to the value of the connection.”¹⁷ In Hydro One’s case, the outcome of either approach would result in a grouping of customers with similar characteristics therefore Hydro One recommends that a kW threshold is more appropriate as it is more reflective of cost causality. Hydro One is not in favour of a combination of current and voltage.

2. What would be the appropriate time frame for implementation and rate mitigation for the new small volume commercial sub-class? Should the OEB keep to its general policy of keeping increases under 10% per year on total bill? What considerations should the OEB examine in order to finalize the proposed mitigation? (ref. C.4)

Hydro One submits that the OEB should afford utilities flexibility in the implementation period for the new small volume commercial sub-class in order to ensure that customer rate increases are kept to reasonable levels. The proposed transition period of 4 to 5 years may be appropriate for the majority of utilities however it could result in significant rate impacts for some of Hydro One’s General Service class customers; namely the GSe and UGe classes. Hydro One submits that it more important to ensure the bill impacts for customers are held to reasonable levels than to have a uniform transition period throughout the province. Hydro One believes that the OEB’s general policy of keeping increases under 10% a year is reasonable.

Implementation of the change in rate design should not commence before utilities have completed the required enabling investments such as upgrades to the CIS and metering infrastructure. A coordinated effort to educate customers on why these changes are occurring and what steps they can take to mitigate the impacts in advance is critical and should occur in conjunction with the implementation.

¹⁷ Ibid, page 21.

3. Are most current electricity distributor customer information systems capable of maintaining both a kWh and kWh/h distribution rates as part of the applied tariff? (ref. C.5)

Hydro One's CIS is not currently capable of providing this functionality. It is expected that the CIS can be modified to do so provided that sufficient enabling investments are made. About 5% of Hydro One's general service meters are in areas where meter communication is inadequate to support time of use based billing requirements. Given the prohibitive cost associated with upgrading the metering infrastructure to accommodate the proposed rate design change, Hydro One recommends that the OEB consider how to address the rate structure for these customers.

Hydro One notes that it is not clear if kWh/h would be accepted by Measurement Canada. This should be explored by the OEB prior to making any determinations regarding the appropriate rate designs for GS < 50 kW customers.

4. Given that there would be bill increases for a small segment of each new class, what would be the appropriate time frame for implementation and rate mitigation? (ref. C.6)

Hydro One's comments in relation to Question #2 apply equally here. Section C.6 of the report discusses proceeding with the transition for the GS < 50 kW classes without an updated cost allocation study. Hydro One takes no issue with the proposal for the GS < 50 kW class. The load profiles of the proposed GS < 10 kW and GS 10-50 kW show similar characteristics therefore Hydro One believes that the likelihood of a material cross-subsidization occurring is low.

5. Stakeholders are invited to comment on the feasibility of implementing the Capacity Reserve Charge approach and expected consequences on customer investments in distributed generation. (ref. D.4)

Hydro One believes that the implementation of the proposed CRC approach poses some concerns which require further consultation and consideration. Hydro One expects that it will be a significant and challenging undertaking to obtain the necessary information regarding customer installations that will come with additional costs (e.g. both staffing and CIS-related). The level of incremental costs will depend on the degree of flexibility that must be accommodated. The OEB should consider the appropriate balance between cost and the desire to afford customers flexibility.

Hydro One notes that distribution charges typically represent a relatively small portion of customers' total bills. It is expected that the potential savings on commodity costs would be the main driver of customer investments in distributed generation. As such, Hydro One does not believe that a CRC would materially influence customers' decisions on DERs.

6. Should there only be one option address the issue of customers who do not abide by their maintenance or bypass obligations? Should the customer have the option? Should the distributor have the option? (ref. D.7)

Hydro One submits that a financial penalty should exist as the default option. The penalty should be sufficiently large to incent the appropriate customer behavior. A customer drawing more from the system can impact service to others and cause outages where assets are constrained. Utilities have an obligation to serve all customers and should also have the option to install load limiters on constrained assets where the risk of impacting other customers is high.