Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'Énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273

Ontario

BY E-MAIL

September 8, 2021

Attention: Ms. Christine Long, Registrar

Dear Ms. Long:

Re: Hydro One Networks Inc.
Implementing the Ontario Energy Board's Decision to Eliminate the Seasonal Rate Class
Ontario Energy Board File Number: EB-2020-0246

Please find attached OEB staff's submission on the evidence filed by Hydro One Networks Inc.

Martin Davies Digitally signed by Martin Davies
Date: 2021.09.08 16:00:16 -04'00'

Martin Davies
Project Advisor, Rates
Electricity Distribution: Major Rate Applications & Consolidations

IMPLEMENTING THE ONTARIO ENERGY BOARD'S DECISION TO ELIMINATE THE SEASONAL RATE CLASS

Hydro One Networks Inc.

EB-2020-0246

ONTARIO ENERGY BOARD

STAFF SUBMISSION

September 8, 2021

Introduction

The Ontario Energy Board (OEB) determined, in its Hydro One Networks Inc. (Hydro One) 2015-2017 distribution rates Decision[1] (March 2015 Decision), that Hydro One's seasonal rates class should be eliminated and existing seasonal class customers should be moved to one of three Hydro One residential rate classes according to their density. This was based on OEB's finding that the distribution rates currently charged to seasonal customers do not appropriately reflect the cost to serve them.

Following a number of procedural steps, on October 15, 2020, Hydro One filed an updated Report on the Elimination of the Seasonal Class (2020 Seasonal Report), that reflects its proposed implementation, which is the subject of the current proceeding.

The OEB stated[2] that the scope of the current proceeding is to address the following two issues:

> (1) how to implement the decision to eliminate the seasonal class; and
>
> (2) for those who will be experiencing total bill increases of 10% or greater a year, what is the best approach to mitigating these increases, exclusive of maintaining the seasonal class.

Summary of Conclusions

Implementation of the Decision to Eliminate the Seasonal Class

OEB staff agrees with Hydro One that an implementation date of January 1, 2023 is appropriate given that the JRAP application currently before the OEB is the appropriate application in which to implement the decision in this proceeding.

Implementation Issues and Costs

OEB staff would expect Hydro One to demonstrate the causation, prudence and materiality of the costs related to the elimination of the seasonal rates class when seeking their recovery.

[1] EB-2013-0416/EB-2014-0247, Decision, March 12, 2015
[2] EB-2020-0246, Letter, July 2, 2021

Approach to Mitigating Total Annual Bill Increases of 10% or Greater, Exclusive of Maintaining the Seasonal Class

OEB staff submits that Option 2B is the best choice given the concerns identified with the other two options.

Meter Reading and Billing of Seasonal Customers

OEB staff is concerned with the complexity and cost of Hydro One's recommended Option C, which would create three standards for billing former seasonal customers.

OEB staff is accordingly of the view that Hydro One should maintain existing seasonal billing and meter reading frequencies until such time as it can stakeholder its proposed alternative options with customers, and then report back to the OEB on customer feedback, implementation issues and relative costs of the alternatives, taking into account the feedback received from customers.

Conditions of Service Considerations

OEB staff agrees with Hydro One that necessary changes to its Conditions of Service arising from OEB staff's recommended approach to the elimination of the seasonal class should be made.

The following are OEB staff's detailed submission on these matters:

Implementation of the Decision to Eliminate the Seasonal Class

Implementation Date

Background

Hydro One is recommending an implementation date of January 1, 2023,[3] and made the following comments in support of that recommendation:

[3] Exhibit I/Tab 1/Schedule 1/pg. 1.

Hydro One stated that this was because the current schedule for this proceeding and the time required for the necessary modifications to its billing system to accommodate the elimination of the seasonal class would not allow it to implement the elimination of the seasonal class on January 1, 2022.

Hydro One also noted that it had recently filed its joint rate application for 2023-2027 transmission and distribution rates (JRAP) on the assumption that the elimination of the seasonal class would be implemented on January 1, 2023.

Hydro One stated that it anticipated there would be a number of opportunities as part of the JRAP proceeding to reflect the final decision on implementing the seasonal class elimination coming from this current proceeding, including addressing this decision as part of the response to interrogatories or undertakings; or incorporating it into the draft rate order material to be prepared following an OEB decision in the JRAP proceeding.

Hydro One also stated that there would be no advantages to delaying the implementation of the elimination of the seasonal class to 2024 as this is when the transition to fully fixed rates would be completed. Hydro One explained that this was because this transition is only a relatively small component of the impact on seasonal customers moving to the R2 class (seasonal-R2), and so delaying the elimination of the seasonal class to 2024 would not materially change the impacts to seasonal-R2 customers and would delay the benefits received by seasonal-R1 and seasonal-UR customers.

Discussion and Submission

OEB staff agrees with Hydro One that an implementation date of January 1, 2023 is appropriate given that the JRAP application currently before the OEB is the appropriate application in which to implement the decision in this proceeding for the reasons cited by Hydro One. OEB staff also agrees with Hydro One that there is not sufficient time prior to January 1, 2022 to allow for the elimination of seasonal rates to be implemented on January 1, 2022.

Implementation Issues and Costs

Background

Hydro One stated that the elimination of the seasonal class and the implementation of the proposed mitigation plan would entail a large number of billing, metering reading, communications, CIS and business process changes requiring extensive efforts to be completed.

Hydro One further stated that the elimination of the seasonal class would represent a significant change in its rate class structure that would impact rates for all customer classes and estimated that the cost to implement these changes would be in the range of $3 - $4 million. Hydro One's breakdown of these costs is shown in the table below:[4]

Implementation component	Estimated costs range
Billing/CIS system changes	$2,400K - $3,100K
Development of tools and processes to support annual consumption monitoring and credit modifications	$200K - $300K
Process redesign and staff training	$400K - $600K

Discussion and Submission

OEB staff accepts that Hydro One will need to address billing system and other changes to accommodate the elimination of the seasonal class. OEB staff would expect Hydro One to demonstrate the causation, prudence and materiality of the costs related to the elimination of the seasonal rates class when seeking their recovery.

OEB staff notes that Hydro One has not sought a variance account for these costs, but also notes that as Hydro One's current rates are interim and expected to remain interim, a variance account is not considered necessary for purposes of the recovery of these amounts.

[4] Exhibit I, Tab1, Schedule 22

Approach to Mitigating Total Annual Bill Increases of 10% or Greater, Exclusive of Maintaining the Seasonal Class

Background

Hydro One provided information on the numbers of customers moving from the seasonal class to each of the UR, R1 and R2 classes that would experience end-state bill increases and decreases.[5] Hydro One has a total of 147,679 seasonal class customers of which 245 would be moving to the UR category and would be expected to experience rate decreases. Of the remaining customers, moving to the R1 and R2 categories, 62% would be expected to experience rate increases. This would include 76,499 customers moving to R2 with monthly consumption levels below 2,705 kWh, and 15,453 customers moving to R1 with monthly consumption levels below 92 kWh.

In the 2020 Seasonal Report, Hydro One proposed three bill mitigation options:

Option 1: Use a Credit Based Approach to Mitigate Impacts

Option 2A: Phase in Rates to Keep Total Bill Impacts Less Than 10%

Option 2B: Phase-in of Rates Over 8 Years

Hydro One described these options are follows:

Option 1: Use a Credit Based Approach to Mitigate Impacts

Hydro One stated that under this option, seasonal customers upon moving to R2 class rates would have a credit applied to their bills to limit total bill impacts to 10%. The 10% impact would take into account all distribution-related items approved by the OEB in the year in which the customers moved to the R2 class as well as the elimination of the Seasonal Class.

Hydro One explained that under this option, it is not considering customer-specific mitigation plans as it is not possible or practical to administer

[5] Exhibit I, Tab 1, Schedule 9

individualized mitigation plans given the large number of customers that would be impacted and the relatively small dollar amounts involved.[6]

As such, Hydro One stated that customers with consumption levels lower than the midpoint within the consumption band would see impacts greater than 10%. Hydro One further stated that it had calculated the total bill impacts at the lower boundary of every consumption band (for example, at 0 kWh for 0-50kWh consumption band) and the largest total bill impact observed, with the mitigation credit, was 12%.

Hydro One further stated that the total cost of the mitigation credits related to mitigating bill impacts for low volume seasonal customers over nine years is approximately $155 million.[7] Hydro One suggested that an alternative would be to base the credit amount on the low end of the consumption band, although this would increase the cost of mitigation slightly.

Hydro One noted[8] that as this option would require a customer specific credit amount that would differ from customer to customer, this type of variability would require significant modifications to its CIS system as its current solution is built to apply tariffs and rate riders on a customer class basis, while the actual setup of credit amounts that vary by customer would be a manual process and with the volume of customers involved, would be a significant undertaking and one that would be fraught with risk of human errors.

Hydro One concluded that to modify its CIS to support customer specific variable credits would carry a material cost in the range of $5 to $8 million and would require at least 12 to 18 months to implement.

Hydro One did state that it has previously used this approach to bill mitigation.[9] This use arose from a 2015 application,[10] where it had completed a density classification review which resulted in large numbers of customers moving between different density-based rate classes. Hydro One stated that customers moving from a higher density rate class to a lower density rate class (e.g. an R1

[6] Exhibit I, Tab 1, Schedule 18
[7] Exhibit I, Tab 5, Schedule 1, pg. 7
[8] Exhibit I, Tab 1, Schedule 13
[9] Exhibit I, Tab 1, Schedule 11
[10] EB-2013-0416

customer moving to the R2 rate class) would have experienced significant bill impacts as a result of this switch between rate classes.

Hydro One further stated that in order to mitigate the bill impacts for those customers, the OEB had approved its proposal for a credit-based approach to mitigate bill impacts, similar to what is proposed under the first mitigation option in this proceeding. Hydro One did not explain the differences in the current circumstances that would prevent it from again using this approach.

Option 2A: Phase in Rates to Keep Total Bill Impacts Less Than 10%

Hydro One stated that the second mitigation option it considered was to phase-in the rates that seasonal customers would pay. Under this option, the fixed charge for seasonal customers would be phased-in to the same all-fixed distribution charge as R2 residential customers over the number of years required to limit the bill impacts to 10% per year over the transition period. Hydro One stated that limiting the impacts to 10% per year would result in a phase-in period of 12 years. Over the mitigation phase-in period, all R2 customers would pay a volumetric rate that ensures recovery of the total revenue to be collected from the R2 class that is not covered by the monthly fixed charge.

However, Hydro One subsequently explained in response to an interrogatory[11] that not all low consumption customers would have rate increases restricted to 10% under this option.

Hydro One stated that approximately 17% of total seasonal customers moving to the R2 class would see bill impacts higher than 10% under mitigation Option 2A and stated that the largest bill increase is estimated to be 13% for customers with monthly consumption of zero kWh.

Hydro One noted that it would be possible to modify Option 2A (i.e. extend the phase-in period for moving from current Seasonal Class rates to all-fixed R2 rates) such that bill impacts for all seasonal customers (including those with 0 average monthly consumption) would be limited to 10%, however this would increase the phase-in period to 16 years.

[11] Exhibit I, Tab 1, Schedule 14

Hydro One stated that this was the same mitigation approach that it had used starting in 2008 to migrate the rates for customers in the over 80 utilities that it had previously acquired at that time.[12]

Hydro One noted that this option did not receive much support from stakeholders as it puts the costs associated with phasing-in the seasonal-R2 customers completely on the year-round residential R2 customers in the form of increased variable rates that would be required to offset the lower fixed charge collected from seasonal-R2 customers within the class.

Hydro One submitted, however, that with the Distribution Rate Protection (DRP) program currently in place, the increase in distribution charges for year-round R2 residential customers will be absorbed by DRP.[13]

Option 2B: Phase-in of Rates Over 8 Years

Hydro One stated that a variation to this mitigation option which it had considered was to use a set phase-in period of 8 years, similar to the period used by Hydro One for phasing-in the move to all-fixed rates for the Seasonal Class. Hydro One noted that this shorter phase-in period would result in bill impacts exceeding 10% for low volume seasonal customers, but the bill impacts would be relatively small in absolute dollar terms

Hydro One stated that all seasonal customers moving to the R2 class with average monthly consumption in the 0-50 kWh range would experience bill increases greater than 10% until at least 2026, with the largest impact being for customers with no consumption (i.e. 0 kWh).[14] For such customers, the total bill impact would be an 18.7% ($7.79) increase in the first year of the phase-in (shown as 2022) and reaching 10% in the sixth year of the phase-in (shown as 2027)

Hydro One further stated that while the OEB's filing requirements indicate that a distributor must file a mitigation plan if total bill increases for any customer class exceed 10%, the filing requirements do not specify the consumption level to use

[12] Exhibit I, Tab 1, Schedule 11
[13] Ontario Regulation 198/17
[14] Exhibit I, Tab 1, Schedule 16

in the calculation. Hydro One noted that under this option, a typical seasonal customer consuming 350 kWh per month will see impacts below 10%. Hydro One added that while the impact for low volume seasonal customers is above 10%, the dollar impact would not be significantly more than what the average seasonal customer would experience over most years of the 2022 to 2029 period.

Hydro One argued that it is not unprecedented for the OEB to deviate from its filing requirements, where conditions warrant it. Hydro One stated that, in its Decision on Hydro One's 2016 Draft Rate Order,[15] the OEB had noted that for the R2 customer class, the transition period required to achieve a $4 annual fixed rate increase would be 15 years, and the OEB found 15 years to be an unreasonable time period to transition to fully fixed rates for this customer class. Accordingly, the OEB had directed Hydro One to transition the R2 class over an eight year period, even though the dollar impacts were in excess of the amount prescribed in the filing requirements.

Hydro One's Suggested Mitigation Plan

Hydro One stated that it supported the adoption of either Option 2A or 2B in preference to Option 1.[16]

Hydro One stated that Options 2A and 2B are much simpler to implement and communicate to customers than would be the case for Option 1 and did not pose the implementation challenges associated with managing the credit-based approach under Option 1.

Hydro One noted that the primary drawback associated with Options 2A and 2B is the negative impact on year-round R2 residential customers, which is dealt with through the DRP under its proposed approach.

Discussion and Submission

OEB staff's submissions on Hydro One's proposed options are as follows:

[15] EB-2015-0079
[16] Exhibit I, Tab 1, Schedule 17

Option 1: Use a Credit Based Approach to Mitigate Impacts

OEB staff notes that this was Hydro One's preferred option in the 2020 Seasonal Rates Report, but it revised its views on this alternative in its responses to the interrogatories due to concerns about its practicality and cost.

As will be discussed further below, OEB staff is supporting the adoption of Hydro One's Option 2b. However, OEB staff suggests that it may assist the OEB in considering the various options if Hydro One further explained the following:

First, Hydro One should discuss why, if it was able to use the credit-based approach to mitigation in the example cited above (arising from its 2015 application), it is not able to do so in the current situation.

Second, Hydro One should clarify whether the $5 to $8 million of costs cited as related to this alternative are in addition to the $3 to $4 million that it referenced in the 2020 Seasonal Report as the overall costs of implementation or are inclusive of these costs.[17]

Finally, Hydro One should discuss why it would take 12 to 18 months to implement this proposal, since this would suggest that if the OEB wished to consider this option, implementation would not be possible for January 1, 2023. OEB staff submits that Hydro One should specifically clarify whether in the event the OEB determined that it wished to proceed with this option, it would be possible to meet the proposed January 1, 2023 implementation date, and if so, what steps and additional costs would be necessary to accomplish it.

Option 2A: Phase in Rates to Keep Total Bill Impacts Less Than 10%

OEB staff notes that Hydro One has stated that not all low consumption customers would have rate increases restricted to 10% under this option, but that it would be possible to modify Option 2A such that bill impacts for all seasonal customers would be limited to 10%. However, this would increase the phase-in period to 16 years.

[17] As discussed on page 8 of this submission.

OEB staff submits that either a 12 or a 16-year phase-in period is not realistic and would raise significant issues related to inter-generational equity. For this reason, this alternative would not be a viable option.

Option 2B: Phase-in of Rates Over 8 Years

OEB staff notes that the concerns with the two preceding options would leave Option 2b as the only remaining choice.

OEB staff's concern with this alternative is that low consumption customers would experience bill impacts of greater than 10%, which is not in accord with OEB bill mitigation policies, although as Hydro One has noted the dollar amounts of these bill impacts would be relatively small.

OEB staff further notes that Hydro One's mitigation approach under both Option 2 alternatives, involving the use of a base variable charge to achieve the required mitigation, means that the completion of the move to all-fixed rates for Hydro One's R2 and presumably R1 customers is effectively deferred until the end of the mitigation periods for these two options.

OEB staff submits that Option 2B is the best choice given the concerns and challenges identified with the other two options discussed above.

OEB staff also submits that Hydro One should clarify in its reply submission whether its mitigation efforts related to low consumption R2 customers under both option 1 and the two option 2 approaches would also be applicable to any low consumption R1 customers that are expected to experience increases greater than 10%.[18]

[18] As discussed in Exhibit I, Tab 1, Schedule 9, pg. 1

Meter Reading and Billing of Seasonal Customers

Background

Hydro One noted that in the March 2015 Decision, it had also been asked to examine billing frequency and, by implication, meter reading frequency, for consideration as part of eliminating the Seasonal Class.

Meter reading

Hydro One stated that prior to 1998, seasonal meters had been read manually once per year and billed twice per year. Hydro One added that as of November 2018, 15% of seasonal meters were read manually and 85% were read automatically through Hydro One's smart meter system. Manually read meters are read once per year and billed quarterly, and automatically read meters are read daily and billed quarterly. Hydro One stated that the challenges and costs of reading seasonal meters are somewhat unique to this group of customers, while billing-related costs are similar to those for residential customers.

Hydro One stated that it is not possible to economically connect some meters to the smart meter network, and in other cases, it is not possible to increase their communication reliability to the level needed for regular and dependable billing.

Billing

Hydro One stated that the costs of producing and issuing a customer bill are similar across customer classes and that there are two billing options available to customers: a paper-based bill or an electronic bill (e-bill). Hydro One added that currently, 39% of its seasonal customers participate in electronic billing through either e-post (5%) or e-bill (34%).

Billing and Meter Reading Options

Hydro One identified three billing and meter reading frequency options consistent with the March 2015 Decision and stated that these options were assessed based on the criteria of fairness, minimizing the costs of the reclassification, and minimizing the overall costs of billing and meter reading while meeting customer needs.

Option A: Maintain Existing Seasonal Billing and Meter Reading Frequencies Upon Customer Reclassification

Hydro One stated that Option A maintains the status quo for meter reading and billing seasonal customers upon reclassifying them to the appropriate residential density-based rate class. This would mean that automatically read meters would continue to be read daily and billed quarterly, while manually read meters would continue to be read once per year and billed quarterly. Furthermore, customers with manually read meters that are exempt from time-of-use billing would continue to have the option of performing and submitting self-readings to eliminate the need for estimated bills.

Hydro One noted that this alternative would require an OEB exemption from sections 2.6.1A, 2.10.1 and 7.11.1 of the *Distribution System Code* (DSC) related to monthly billing and estimated reads, as these would no longer be “Seasonal Class” customers.

Option B: Adopt Residential Billing and Meter Reading Frequencies

This option adopts the billing and meter reading frequencies of the existing residential classes upon reclassification with automatically read meters being read daily and billed monthly. Manually read meters would be read quarterly and billed monthly.

Option C: Adopt Usage Based Billing and Meter Reading Frequencies

This option adopts billing and meter reading frequencies based on seasonal customer usage level and patterns, meter reading method (manual vs. automated), and billing method (paper bills vs. electronic bills).

Hydro One added that promoting the consideration of electronic billing was identified by stakeholders as an opportunity associated with seasonal customer reclassification.

Hydro One added that this alternative would also require an OEB exemption from DSC sections 2.6.1A, 2.10.1 and 7.11.1 related to monthly billing estimated reads, as these would no longer be “Seasonal Class” customers.

Hydro One concluded that considering average monthly consumption and annual usage patterns, three seasonal customer sub-segments were identified:

1) High usage (> 800 kWh/month);

2) Medium usage (100-800 kWh/month); and

3) Low usage (less than 100 kWh/month).

<u>High Usage Customer Segment (More than 800 kWh/month)</u>

Hydro One stated that approximately 10% of seasonal customers are in the high usage sub-segment. Annual electricity consumption for these customers is similar to the average year-round consumption for residential customers (800 kWh/month); their load profile is similar to year-round residential customers without air conditioning (higher usage in colder months and lower usage in the warmer months); and electrical load is present through the entire year without prolonged periods of zero usage.

Hydro One further stated that under this alternative manual meter reading frequency would be increased from once per year to four times per year (the same as manually read residential meters) to more closely align usage patterns and billing.

Hydro One noted that the incremental cost of increased meter reading frequency for manually read customers is approximately $394,000 and the savings associated with electronic billing, depending on uptake, is up to $52,000.

Medium Usage Customer Segment (100-800 kWh/month)

Hydro One stated that approximately 54% of seasonal customers are in the medium usage sub-segment and that annual electricity consumption for these customers is lower than average year-round residential customers. Their load profile is also different, with usage climbing from May/June, peaking in July/August, and dropping in September/October to a base winter level.

Hydro One proposed that for these customers, manual meter reading frequencies would remain the same at once per year.

Where billing is concerned, customers with manually or automatically read meters will be provided the choice of moving to more frequent residential billing if enrolled in electronic billing, while customers remaining on paper-based bills would continue to be billed at their existing seasonal frequencies (quarterly).

Hydro One stated that its proposal provides customers with choice in more frequent billing if desired while minimizing billing costs. Hydro One added that the incremental savings of electronic billing, depending on uptake, is up to $312,000.

Low Usage Customer Segment (less than 100 kWh/month)

Hydro One stated that approximately 35% of seasonal customers are in the low usage sub-segment, for which electricity consumption is much lower than average year-round residential customers.

Hydro One proposed that manually read meters would continue to be read once per year but paper-based billing frequency would be reduced from quarterly to semi-annually (pre-1998 levels). However, customers with manually or automatically read meters would have the choice of moving to more frequent monthly billing if enrolled in electronic billing.

Hydro One stated that the incremental savings of reducing billing frequency from quarterly to semi-annually is approximately $113,000 and the incremental savings of electronic billing, depending on uptake, is up to approximately $12,000.

Hydro One noted that this alternative involves significant implementation and ongoing administrative costs related to complexity and the requirement to annually review and monitor seasonal consumption levels and resulting annual changes to customer billing and meter reading frequencies that would likely lead to customer dissatisfaction. Furthermore, it would reduce paper-based billing frequency to low use customers.

Hydro One's Recommendation for Billing and Meter Reading Frequency Options

Hydro One recommended that Option C be adopted.

Hydro One stated that Option A, while having the advantages of maintaining meter reading costs and creating no disruption to customers associated with changes to meter reading and billing frequencies, does not recognize variability in usage within the Seasonal Class, resulting in high usage customers with identical characteristics to other customers in the same residential class and paying the same delivery rates, having lower levels of billing and meter reading service.

Where Option B is concerned, Hydro One stated that, while having the advantage of increased billing frequency for all seasonal customers, this is the highest cost option at approximately $4.7 million. In addition, it also does not recognize variability in usage within the Seasonal Class, resulting in very low usage summer peaking customers with extended periods of zero consumption being provided billing and meter reading service that likely exceeds their expectations and needs.

While Hydro One acknowledged that Option C is complex and has significant implementation and ongoing administration costs, it favoured this option, stating that it is designed to align billing needs and usage characteristics and provide customer choice for more frequent billing and the opportunity for savings through more environmentally friendly and convenient e-billing.

Hydro One noted, however, that the selection of this option would require it to seek an OEB exemption from the requirements of sections 2.6.1A, 2.10.1 and 7.11.1 of the DSC related to monthly billing and the use of estimated reads for a

significant number of seasonal customers in the UR, R1 and R2 residential classes.

Hydro One further explained its proposed approach[19] as meaning that seasonal customers would continue to be billed quarterly, whereas other customers in the Urban, R1 and R2 classes would be billed monthly, unless a seasonal customer's usage level and pattern qualified them for monthly billing, or they had signed up for electronic monthly billing.

Hydro One justified this approach on the basis that the vast majority of seasonal customers are low users of electricity and their usage is typically seasonal in nature with little or no usage during the winter months. Hydro One stated that it proposed to maintain the meter reading and billing frequencies for these customers in order to keep billing and meter reading costs as low as possible. Hydro One also noted that under this alternative, paper-based billing frequency to low use customers would be reduced.

Hydro One further stated that providing more frequent meter reading to support accurate billing can be very expensive and sometimes impossible due to access conditions in the off season periods to either repair smart meter communication equipment, or to obtain manual meter reads.

Hydro One confirmed that its proposal meant that once the current Seasonal customers are moved to the R1, R2 or UR rate classes, these customers will share the billing costs for all customers in the same rate classes. Hydro One noted that it had also proposed that seasonal customers be given the choice of more frequent billing as long as that billing service is delivered via electronic means instead of the traditional paper invoice, as this would keep the cost of billing service provision as low as possible.

Hydro One stated that a requirement to have all seasonal customers moved to monthly meter reading and monthly billing would increase billing and meter reading costs by about $12 million per year with the vast majority of this cost increase being driven by the need for a material portion of seasonal properties to be read manually due to lack of reliable remote meter read connectivity. Hydro One further noted that manual meter reading for a portion of these seasonal

[19] Exhibit I, Tab 7, Schedule 3

properties would not be possible during certain periods of the year due to access and or safety issues (e.g. unplowed roads, lake access, etc.)

Discussion and Submission

OEB staff is concerned with the complexity and cost of Hydro One's recommended Option C, which would create three standards for billing former seasonal customers.

OEB staff notes that when asked about the complexity and costs of this option and whether they were reflected in the 2020 Seasonal Report, Hydro One responded that the costs identified in the report reflect only an estimate of ongoing costs impacts post implementation and stabilization of the new customer billing and meter reading model and are also based on significant customer uptake of lower cost delivery options (e.g. electronic billing). Hydro One added that implementation of Option C would incur one time implementation costs in the range of $3 to $4 million.[20]

OEB staff is accordingly of the view that Hydro One should maintain existing seasonal billing and meter reading frequencies until such time as it can stakeholder its proposed alternative options with customers, and then report back to the OEB on customer feedback, implementation issues and relative costs of the alternatives, taking into account the feedback received from customers.

Hydro One stated that it had invited all intervenors of record in the proceeding leading to the March 2015 Decision and OEB staff to a stakeholder session held on June 10, 2015.[21] Hydro One added that this stakeholder session had been held to provide information related to the proposed elimination of the seasonal class and to promote feedback on options being considered for mitigating the impacts on seasonal customers as a result of eliminating the seasonal class.

Hydro One was asked through an interrogatory whether its recommendation of Option C was based on any input from customers and if so to describe the input

[20] Exhibit I, Tab 5, Schedule 16, pg. 2
[21] 2020 Seasonal Report, p.7

which was received.[22] Hydro One's response was that its recommended approach is in keeping with customer satisfaction research feedback tied to cost of electricity and that the options were reviewed with stakeholders in the 2015 session noted above. Hydro One stated that the stakeholders present at that session did not raise any specific concerns with the proposed approach and were supportive of the recommended path.

OEB staff notes that this stakeholdering took place over six years ago and was not specifically focused on the billing and metering options. As such, OEB staff is concerned that the views of customers today may not be the same as they were in 2015 and also that today's customers may not be aware of, or fully understand, the alternatives proposed by Hydro One and the impacts of these options on them. As such, OEB staff submits that additional stakeholdering is necessary related to these billing and metering options before one of them is implemented.

OEB staff submits that this stakeholdering should take the form of a customer survey to obtain information on which of the three alternatives proposed by Hydro One is preferred by affected customers and any concerns which they may have about them.

OEB staff suggests that this survey could take place early next year with the results being provided in time to be considered as part of the JRAP proceeding. This would allow for both the elimination of the seasonal rate class and the necessary modifications related to billing and metering issues arising from it to all be approved for the proposed January 1, 2023 implementation date.

[22] Exhibit I, Tab 5, Schedule 21

Conditions of Service Considerations

Background

Hydro One stated that elimination of the seasonal rate class per the March 2015 Decision would require it to make a number of changes to its Conditions of Service, most of which would be administrative in nature, reflecting the elimination of the seasonal class and the addition of a new billing frequency.

Hydro One specified that Section 3.1 of the Conditions of Service, which covers the definitions of its rate classes consistent with the approved rate schedules, would need to be revised to reflect the elimination of the seasonal class and that the residential rate classification would consist of two sub-categories of residential service: year-round and seasonal.

Discussion and Submission

OEB staff agrees with Hydro One that necessary changes to its Conditions of Service arising from OEB staff's recommended approach to the elimination of the seasonal class should be made.

OEB staff submits that Hydro One should file the changes that it will be making to its Conditions of Service as part of the implementation proposed to occur during the JRAP as outlined above. OEB staff notes that while changes to Conditions of Service would not be typically approved by the OEB, it would be helpful for the OEB to be aware of the changes that Hydro One intends to make.

- All of which is respectfully submitted -