

September 8, 2021

Christine Long
Registrar
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Long:

EB-2020-0246 – Hydro One Networks Inc. – Eliminating the Seasonal Rate Class

Please find, attached, the Final Submissions of the Consumers Council of Canada in the above-reference proceeding.

Yours truly,

Julie E. Girvan

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CC: All Parties

SUBMISSIONS OF THE CONSUMERS COUNCIL OF CANADA

RE: EB-2020-0246 – HYDRO ONE NETWORKS INC.

ELIMINATING THE SEASONAL RATE CLASS

Introduction:

On March 12, 2015, the Ontario Energy Board (“OEB”) issued its Decision approving distribution rates for Hydro One Networks Inc. for the period 2015-2019. In that Decision the OEB directed HON to bring forward a plan for the elimination of its Seasonal Class. The OEB indicated that the plan should propose mitigation for those customers expected to experience a total bill impact of greater than 10% as a result of migrating to another class.

Over the next several years a number of procedural steps followed that initial Decision by the OEB:

- HON submitted a report to the OEB on August 4, 2015;
- The OEB issued an Order on September 30, 2015 directing HON to implement the move towards all-fixed distribution rates for the Seasonal Class customers, as well as other residential customers starting in 2016;
- On November 10, 2016 the OEB initiated a new proceeding to consider the next steps for the elimination of the Seasonal Class (EB-2016-0315);
- As directed by the OEB, HON submitted an updated report on December 1, 2016;
- On September 30, 2018, the OEB issued a letter indicating its intent to resume the EB-2016-0315 proceeding and directed HON to file a further report reflecting the newly approved distribution rates for the period 2018-2022. In addition, the OEB indicated that the updated report could include a revised approach to the elimination of the Seasonal Class;
- HON filed an updated report on July 19, 2019 which included an alternative approach to the elimination of the Seasonal Class;
- On September 17, 2019, the OEB issued its Procedural Order No. 3 stating that it had determined that it would treat Section 5 (An Alternative Approach to Elimination of the Seasonal Class) of the report as a motion to review the Seasonal Rates elimination;
- On September 17, 2020, the OEB determined that its original Decision to eliminate the Seasonal Class should not be varied. In addition, the OEB directed HON to update its 2019 Seasonal Report, including the identification of mitigation measures and removing section 5¹;
- On October 15, 2020, HON filed an updated report;
- On January 22, 2021, the OEB issued a Notice of Hearing for this proceeding;

¹ In its updated report filed on October 15, 2020, HON provided a detailed chronology of the procedural steps undertaken since the original Decision was issued on March 12, 2015.

In its Procedural Order No.1, dated April 12, 2021, the OEB defined the scope of this proceeding. It stated:

The OEB wishes to make it clear that the purpose of this proceeding is not to revisit the elimination of the seasonal rate class. That decision has been made and will not be revisited in the current proceeding.

There are two specific issues in this proceeding:

1. How to implement the decision to eliminate the seasonal class; and
2. For those experiencing rate increases of 10% or greater a year, what is the best approach to mitigating these increases, exclusive of maintaining the seasonal class.²

In that Procedural Order the OEB directed HON to answer a series of questions reflecting concerns and comments the OEB has received from customers. Those responses were filed on April 26, 2021. In its Procedural Order No 2, dated May 26, 2021, the OEB set out a schedule for an interrogatory process and the filing of written submissions. In its Procedural Order No 3, dated July 16, 2021, the OEB revised dates. These are the Final Submissions of the Consumers Council of Canada (“Council”).

Submissions:

The Council acknowledges that the OEB does not intend to revisit its original decision and intends to proceed with the elimination of the Seasonal Class. The intended scope of this proceeding is clear. The OEB must decide when the elimination is to take place and the approach to rate mitigation. As set out in HON’s October 15 report, it is the Seasonal customers moving to all fixed R2 distribution rates that will see large negative impacts from the elimination of the Seasonal Class.³ It is those customers, which number approximately 77,000 that will require mitigation.

The Council notes that HON’s current proposal is to eliminate the Seasonal Class on January 1, 2023.⁴ The Council supports this approach. The Council is aware that HON has applied for approval of a joint rate application for its 2023-2027 transmission and distribution rates. The Council is of the view that the majority of issues regarding the elimination of the Seasonal Class should be considered in the context of that proceeding given the evidence which supports that Application is the most updated rate information available to the OEB. At this time the OEB can determine the effective date and the mitigation approach – either a credit-based approach or a phase-in approach.

² EB-2020-0246 Procedural Order No. 1, dated April 12, 2021, pp. 2-3

³ October 15, 2020 Report, p. 18

⁴ Ex. I/OEB Staff 1

The Council sees the pros and cons with the three approaches proposed by HON. The Council, however, prefers the approach identified by HON as Option 2B. Under this approach HON would use an 8-year phase-in period. The rates payable by seasonal-R2 customers would be a fixed monthly charge in addition to a variable charge. It is HON's evidence that would support either Option 2A or 2B on the basis that they are much simpler to implement and communicate to customers rather than Option 1 (the credit-based approach) and do not pose the same implementation challenges.⁵ Although an 8-year phase-in approach appears reasonable given the data HON has used from 2018, once the new 2023-2027 rates are reviewed it may be appropriate to consider a longer period based on potential bill impacts including rates and the clearance of deferral and variance accounts. Using the most up to date data is appropriate.

The Council submits that the OEB should, at this time, approve an implementation date of January 1, 2023 and approve a phase-in approach to mitigation. In the context of the joint rate application for transmission and distribution for the period 2023-2027 the following issues regarding the elimination of the Seasonal Class should be considered:

- How HON will determine the rate classes that current Seasonal Class customers will be assigned to? This is determined by density and HON intends to update its latest density review at some point in 2022. An updated density study is critical to determining the appropriate allocation;⁶
- What are the final rates and bill impacts including the disposition of deferral and variance account for HON's customers? Given final rates, what is the appropriate period to phase in R2 Seasonal Class customers to the R2 class (Option 2B)?;
- In many submissions during the past several years there have been questions regarding which customers qualify for the Rural or Remote Electricity Rate Protection ("RRRP") subsidy and the Distribution Rate Protection Program ("DRP"). Eligibility is defined by regulations. The OEB should make it clear how the eligibility for these programs is assessed and how it should be applied by HON;
- HON has set out billing and meter reading frequency options for those customers who will be former Seasonal Class customers.⁷ These are complex issues as every option has costs and benefits. The OEB should undertake a review of the options including all of the cost and benefits. In addition, customer preferences should be considered in the final determination of the billing and meter reading frequency issues;
- The OEB should, in the context of the transmission and distribution proceeding consider issues around customer education and communication. There has been a great deal of confusion over many years regarding the elimination of the Seasonal Class and its

⁵ Ex. I/OEB Staff 17

⁶ Ex. I/OEB Staff 5

⁷ HON's October 15 Report, pp. 31-40

potential implementation. HON has done little customer engagement regarding the Seasonal Class other than to inform seasonal customers of the OEB's Decision to eliminate the Seasonal Class.⁸ The Council is of the view HON should put forward its customer education and communication plans regarding the elimination of the Seasonal Class to the OEB for approval.

- HON has indicated that the elimination of the Seasonal Class will require changes to its Conditions of Service. This is another issue that should be considered in the context of the joint 2023-2027 proceeding.

All of which is respectfully submitted.

⁸ Ex. I/CCC 5