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BY EMAIL & RESS

August 24, 2022

Ms. Nancy Marconi
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi,

EB-2022-0079 – OEB's Non-RPP Class B Pilot Program Consultation

On July 13, 2022, the Ontario Energy Board ("OEB") issued a letter to launch a consultation on the development of a dynamic pricing pilot program for Class B consumers that are not eligible for the Regulated Price Plan (Non-RPP Class B). On July 28, 2022, the OEB held a stakeholder engagement session to inform stakeholders about the Non-RPP Class B Pilot Program and seek stakeholder input on the plan for the development of the program. Following the session, the OEB invited stakeholders to provide written comments by August 25th. Hydro One is very supportive of this initiative and is pleased to provide our attached written comments.

Hydro One has been proudly serving its customers reliable, safe, and cost-effective electricity for over 100 years. Hydro One services approximately 18 percent of class B over 50kW in Ontario and actively engages with our customers to understand their needs. Hydro One is well-positioned to provide a unique and important perspective to the OEB on this proceeding.

Local distribution companies (LDCs) maintain strong relationships with their customers and are seen by customers as trusted advisors. As a result, LDCs will be integral to the success of these dynamic pricing pilots. Hydro One encourages the OEB to clearly define the role of LDCs in the design, administration and evaluation of pilots developed through this program.

Hydro One looks forward to participating in this important proceeding. Please do not hesitate to contact me directly or Mr. Stephen Vetsis at Stephen.Vetsis@hydroone.com if you have any questions.

Sincerely,

Frank D'Andrea

OEB's Class B Non-RPP Dynamic Pilot Program

Hydro One's Comments

On July 13, 2022, the OEB launched an initiative to develop a dynamic pilot program for Class B customers not eligible for the Regulated Price Plan (RPP). During the OEB's July 28th stakeholder engagement session the OEB provided an overview of their proposed program design and sought feedback on the design as well as on 16 questions. Hydro One is pleased to provide both general comments as well as responses to the OEB's questions.

General Comments

Hydro One is very supportive of this initiative as the majority of the non-RPP Class B segment has not been afforded the same opportunities to manage their bills or receive financial relief programs as the other classes of customers. Additionally, the segment has been significantly disadvantaged through the transfer of Global Adjustment costs from the Class A and RPP customer classes.

Local distribution companies (LDCs) maintain strong relationships with their customers and are seen by customers as trusted advisors. As a result, LDCs will be integral to the success of these dynamic pricing pilots, including the:

- **Design:** To ensure that the pilot design effectively targets the customer segment, mitigates inappropriate cost-shifting from free ridership, and maximizes energy system benefits, including benefits to the transmission and distribution systems. As well as to ensure that the pilot design can be effectively implemented.

- **Administration:** To support recruitment of pilot participants, ongoing customer relationship management, and administration of the billing and settlement process.

- **Evaluation:** To ensure that the interpretation of pilot results is informed by customer information, that pilot results also consider impacts to the transmission and distribution system, and ensure that successful pilot designs chosen for scaling up can be broadly implemented by LDCs.

Due to the diverse nature of the Class B non-RPP customer base, it may be difficult to identify a single pilot design that would be beneficial for all customer groups. In the February 2019 OEB Staff Research Paper: *Examination of Alternative Price Designs for the Recovery of Global Adjustment Costs from Class B Consumers in Ontario*, Staff indicate that further work would be undertaken to "collect more detailed and comprehensive data on consumption patterns of businesses in Ontario" (page 7). Hydro One encourages the OEB to share the outcomes of this work, if available, to help guide the design of pilots to target sub-segments of this customer class.

Hydro One also encourages the OEB to clarify the potential customer eligibility for this program. The current description of non-RPP Class B eligibility, as outlined in the July 28 presentation, is "Average monthly maximum demand ≥ 50 kW and not participating in the Industrial Conservation Initiative". Hydro One seeks clarity on if customers who are greater than 50 kW but RPP eligible (i.e. Farm, multi-unit complex) would be eligible as well as if Class A / ICI eligible customers that choose not to opt-in to the ICI would be eligible.

Responses to the OEB's Questions

Below are Hydro One's responses to the questions posed in the OEB's presentation from the July 28th stakeholder engagement session.

Objectives

1. What additional objectives, if any, would you like to see as part of the Non-RPP Class B Pilot Program?

Hydro One recommends three additional objectives be included in the program design:

- Segment Inclusivity – The non-RPP Class B consumer segment is extremely diverse in terms of industry sector, facility size, operational load profile, and access to capital. From this, there will be a significant sliding scale of operational and financial capability and willingness to actively participate in any sort of reactionary/curtailment program. The pilot should acknowledge and strive to be inclusive across the full scope of the segment to assess the design methodology that would also result in maximum inclusivity. Alternatively, if pilots are targeting different sub-segments of the non-RPP Class B customer group, the OEB should seek to have all of the sub-segments targeted by one or more pilots. Otherwise, there is a risk of creating further disadvantages amongst the non-RPP Class B segment in terms of transfer of Global Adjustment cost. LDCs can play a role in achieving this given their advanced knowledge of customers in terms of sector, facility size, load profile, etc.

- Propensity for active participation – The pilot program should consider the relative active participation of the proponents and the equality of the design. Take for example the design of the Industrial Conservation Initiative, consumers who participate in the program may be categorized in three ways 1) active participants who perform curtailment through operational or artificial technological means (e.g. DERs) 2) facilities that inherently benefit due to seasonal/cyclical factors (e.g. ski hill, greenhouse) 3) facilities that inherently benefit due to a high load factor i.e., ratio of maximum peak demand to consumption is high resulting in Class B methodology generally being more costly. It was conveyed that a dynamic pricing program would not carry any sort of penalty for non-active participation. The pilot should seek to understand how the consumer benefit is being achieved in this segment (active vs. inert participation). The objective for achieving maximum system benefit must consider whether the design of the program requires active participation.

- LDC integration – As noted above, the LDC will play a critical role in an initiative of this nature, in terms of the design, administration and evaluation of the pilots. The pilot should assess integration factors such as these.

2. Do the objectives of the Non-RPP Class B Pilot Program need to be considered from any other perspectives?

Hydro One recommends two additional perspectives:

- LDC Integration: To consider LDC administration requirements including involvement at the consumer/proponent level and billing/system enhancement requirements.

- Segment Inclusivity: To consider and ensure that further financial burden is not created between sub-segments of the non-RPP Class B segment or between participating and non-participating customers.

Implementation Process

3. What, if any, modifications would you make to the proposed delivery model for the Non-RPP Class B Pilot Program?

Hydro One recommends that the program design ensures continuous active engagement from the LDC community leading up to the "testing" phase to ensure there are no undue barriers to implementing successful proposals. LDCs have a unique understanding of the segment across all impacted sectors and can help ensure there are no undue barriers to implementation as well as for potential participants.

4. What are the barriers and risks to implementing the Non-RPP Class B Pilot Program as presented?

Hydro One sees two key risks to implementation:

- Unclear role/obligations for LDC involvement – This may pose a risk to the successful implementation and administration of the pilots. In addition, this could pose a risk to garnering sufficient participation.

- Lack of OEB guidance on pilot design – There may not be many other viable design alternatives brought forward by proponents through this process beyond the examples provided by the OEB, derived from prior years of research. As a collective across the province and multiple LDC service territories, it may be more effective to pilot only a select few of what would be deemed the most viable and inclusive solutions.

Pilot Design

5. What level & type of guidance would you like from the OEB regarding the design of the pilots?

Hydro One noted that a major concern during the initial stakeholder session from the industry was whether there would be adequate participation from LDCs, noting the critical role they would play in the program. The OEB should provide more direction, whether informal or formal regarding clear expectations for LDCs in this process.

In addition, as per response to Q#4, it may be most effective to have the OEB identify and dictate only a select few of the most viable program designs to be piloted across the province and multiple LDCs and industry sectors.

6. In your opinion, which price plan would offer the greatest benefit to Non-RPP Class B consumers?

Due to the diversity of Class B non-RPP consumers, Hydro One is not able to identify a single price plan that would benefit all consumers. Rather, we have outlined some initial feedback on the three examples the OEB provided in their July 28, 2022 presentation below.

Hourly Demand-Shaped GA Price

Pros	Cons
• Easy to understand as it relates to HOEP pricing methodology which most customers are accustomed to • Predictable based on historical trends and general logic • Will encourage behavioural changes with little need for ongoing 3rd party consultation/support	• Many sectors that keep standard business hours may find it difficult to participate

Enhanced Time-of-Use

Pros	Cons
• Maximum predictability • Easy for customers to understand • Will encourage behavioural changes with minimal need for ongoing operational support	• Same as with the hourly demand-shape option

Critical Peak Pricing

Pros	Cons
• Likely to have maximum system benefit due to controlled events	• Would require the most ongoing support from 3rd party consultants and/or LDCs • Lack of predictability – this is a consistent complaint from ICI participants • Higher administrative difficultly

7. What criteria should be considered when evaluating a proposed pilot design?

Hydro proposes the OEB consider:

- Maximum inclusive consumer benefit across industry sectors, either in the form of a single pilot or multiple pilots targeting different sub-segments.
- Minimize the ability for participants to benefit significantly without active participation.
- Maximizes energy system benefits, including transmission and distribution system benefits.
- Minimizes potential to inappropriately shift costs between customers within the customer class or between customer classes.

Timing

8. What is a reasonable timeline for the Non-RPP Class B Pilot Program?

Hydro One is supportive of the OEB's proposed 18-month run time for the pilots. Hydro One recommends that the OEB provide a minimum of 6 months between approval of a pilot and the rollout of the pilot to ensure that there is sufficient time for the proponents and LDCs to prepare and conduct recruitment for the pilot.

9. What do you see as the greatest risk to the timelines?

Hydro One notes that the greatest risk to the timelines is an insufficient or unclear LDC role.

Roles and Responsibilities

10. What other entities, if any, may have a role to play in the Non-RPP Class B Pilot Program?

No comment

11. Who are the potential proponents?

No comment

12. What are the barriers to participation for Non-RPP Class B consumers?

Hydro One sees the largest barrier as inadequate awareness among potential participants. This risk can be mitigated through a partnership with the LDCs who are well-positioned to increase awareness among potential participants.

13. In your opinion, what role do LDCs need to play in a Non-RPP Class B pricing pilot?

As noted above, LDCs should play an integral role in the pilot in terms of design, administration, recruitment, and evaluation.

Funding

14. What would you estimate it would cost to implement a pilot under this program, including the cost associated with bill savings?

Hydro One would be pleased to provide estimates once more details regarding pilots have been released.

15. What aspects of the pilot costs would you like to see covered?

Similar to the RPP pilots, Hydro One recommends that the incremental LDC costs associated with the pilot be covered to ensure that ratepayers of participating LDCs are kept whole.

16. What resources (staff, capital for equipment) would pilot participants need to provide in order to achieve savings from participating in the pilot?

Hydro One would be pleased to provide a response once more details regarding pilots have been released.