

ONTARIO FAIR HYDRO PLAN ("OFHP")

Briefing Note: Comments from Toronto Hydro | March 2017

1. 25% Reduction Commitment

OFHP Proposal: The Province is communicating that residential customers will on average save 25% on their electricity bills as a result of the OFHP.

Comments or Recommendations: Toronto Hydro recommends that OFHP messaging be executed through a standard bill insert and not through on-bill messaging – on bill messaging will draw attention to the variability of the credit (some customers will get less than 25% and some will get more) in a way that may undermine the fairness messaging that is central to the OFHP concept. On-bill messaging will also increase costs for LDCs (and thereby rates for customers) and take months to implement.

Rationale:

- While the average Ontario customer may experience a 25% reduction, there will be variation in the actual savings experienced by customers.
 - Some customers will save more than 25%, others less, depending on how much and when they use electricity (rough calculations suggest a range between 16.5% and 28%).
 - Including on-bill messaging such as "The OFHP saved you \$X/Y%" risks drawing unnecessary attention to this variability
 - Using bill inserts with generalized messaging also minimizes LDC implementation costs, and reduces implementation time
 - implementation costs for on-bill messaging could be up to several hundred thousand dollars per LDC and implementation timelines as long as six months

2. OESP: Increased Credit Amounts

OFHP Proposal: The Province is proposing to increase the OESP credit amounts for eligible customers.

Comments or Recommendations: Toronto Hydro's analysis indicates that the increased credit amounts could significantly increase the number of customers whose OESP credit exceeds the total amount of their electricity bill, putting certain customers in a sustained credit position (and others without that same credit) in a way that may undermine the fairness messaging that is central to the OFHP concept.

Given the number of stakeholders involved (e.g. LDC, OEB, IESO, MOE), we recommend that a full analysis be conducted and consultation among stakeholders to develop cost effective options for the MOE's consideration.

3. OESP: New Eligibility Categories and Tariffs

OFHP Proposal: The Province is proposing to add categories for OESP eligibility and create new tariffs for those customers. The proposed implementation date is May 1, 2017.

Comments or Recommendations: Implementing these changes by the May 1, 2017 deadline will not be possible if the billing system used by Toronto Hydro and other LDCs requires third-party coding support.

Rationale:

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- Implementing this element of the OESP reform may require coding changes by the 3rd party CIS vendor (Oracle).
 - Toronto Hydro is currently investigating whether this can be executed using in-house resources.
 - If so, Toronto Hydro will be able to meet the May 1, 2017 deadline, and is committed to working with other LDCs that use the same CIS billing system to do the same
 - If not, Toronto Hydro would require the support of a third-party, which would take three months at a minimum to finalize without taking on excessive billing risk.

4. Ontario Electricity Support Program ("OESP"): Charge Removal

OFHP Proposal: The Province is proposing to remove the OESP volumetric charge that is collected through the Regulatory (or for larger users, Wholesale) line of a customer's bill.

Comments or Recommendations: Toronto Hydro recommends that the removal of the charge be timed to align with changes to Regulated Pricing Plan ("RPP") rates, which occur May 1 and November 1 each year.

Rationale:

- This approach minimizes the risk of customer confusion:
 - Aligning the timing with an RPP change will help to amplify the message of the removal of the charge.
- Avoiding billing changes in months that immediately precede or follow those when other rate changes occur (such as May 1, November 1 or January 1) simplifies the bill presentment for larger customers.

5. Rural and Remote Rate Protection ("RRRP"): Charge removal

OFHP Proposal: The Province is proposing to remove the RRRP volumetric charge that is collected through the Regulatory (or Wholesale) line of a customer's bill.

Comments or Recommendations: Toronto Hydro recommends that the removal of the charge be timed to align with changes to Regulated Pricing Plan ("RPP") rates, which occur May 1 and November 1 each year.

Rationale:

- Same as RRRP Charge removal