**Briefing Note**
**Hydro One seeks Ministerial exemption for alternatives to certain requirements of O.Reg. 275/04**

## Issue:

Hydro One has requested the Minister's authorization for alternatives to certain requirements of O. Reg. 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity), in order to address the findings of research undertaken as part of its bill redesign project.

## Context:

*Billing Regulation Exemptions*

- Hydro One's application for alternative definitions is made pursuant to new authority granted in the Ministry's most recent amendment to O. Reg 275/04, which went into effect on April 1, 2018. This form of exemption is not to be confused with two additional forms of exemption:

    1. The Minister has authority to grant alternative messaging requirements related to Ontario's Fair Hydro Plan, should LDCs not be able to accommodate the display of program savings on invoices. Hydro One does not require this exemption and is already in full compliance with the Fair Hydro Plan messaging requirements.

    2. Beginning July 1, 2017, Hydro One was given a blanket exemption from all O. Reg 275/04 requirements so that it could pursue its ideal bill redesign. With the Ministry's recent amendments, Hydro One's new bill design can be largely accommodated, and thus the need for the blanket exemption has ended. This exemption will expire on September 30, 2018.

        - Once the exemption is expired, Hydro One would require Minister approval of alternative definitions in order to continue using the definitions currently on its re-designed bill. It is in this context that Hydro One has made the current request.

*Background*

- While the Ministry was undertaking its own bill redesign project, Hydro One shared its learnings, including consumer behavioural insights and customer response to the redesigned bills. This helped inform the regulatory amendments that the Ministry brought forward on April 1, 2018.

- The amendments to O. Reg. 275/04 that came into effect on April 1, 2018 provide LDCs with increased flexibility over design elements of electricity invoices, and allow the Minister to approve alternative definitions for LDCs and USMPs in certain circumstances.

- Hydro One did not raise any concerns with the Ministry's proposed approach during the development of the regulations.
  - The Ministry sought input from Hydro One regarding whether the amendments would continue to allow Hydro One to use its redesigned bill. Hydro One did not raise any concerns. It was expected that Hydro One would seek alternatives to the definitions that are prescribed in the regulation.
  - The Ministry anticipates receiving additional requests for alternative definitions from other LDCs who are undertaking bill redesign initiatives, including London Hydro.

**Request from Hydro One:**

- On April 13, 2018, Hydro One wrote to the Minister seeking an exemption or authorization for alternatives to certain requirements of O. Reg. 275/04. In particular, Hydro One seeks:
  - An alternative to section 1(2) of the regulation which requires invoices include the headings "electricity, "delivery", and "regulatory charges". Hydro One wants to use "Delivery, Infrastructure and System Maintenance" instead of "Delivery".
    - Leading up to the regulatory amendments, Hydro One was using the heading "Delivery". Through its behavioural research, it had determined that changing the heading as well as the definition of "delivery" could be too confusing for customers. The Ministry relied upon this research finding in reaching its determination to leave the term "delivery" unchanged in O. Reg 275/04.
    - Since the regulatory amendments were filed, Hydro One has conducted additional focus groups which suggested that customers continue to be frustrated with understanding what "delivery" means. Hydro One has therefore proposed a new heading ("Delivery, Infrastructure and System Maintenance) that would be more explanatory but they have not yet implemented this new heading on the bill.
  - An alternative to section 2 of the regulation which requires information with respect to the amount of electricity consumed and the commodity price to appear *under* the heading "electricity". Hydro One's re-designed bill includes this information in a table immediately to the right of the heading "electricity".

- Alternatives to the definitions prescribed in section 10(1). Hydro One proposes to use the following definitions, which have undergone significant testing for consumer understanding:
    - **Electricity**: This is the cost of generating the electricity you used this period. Usage is measured in kilowatt-hours (kWh) and depends on the wattage of devices you use and how long you use them. The Ontario Energy Board sets the cost per kWh and the **money collected goes directly to the electricity generators.**

    - **Delivery**: This is the cost of ensuring you have reliable power when you need it. **Hydro One collects this money** to build, maintain and operate the electricity infrastructure which includes power lines, steel towers and wood poles covering 960,000 sq. km. A portion of this cost is fixed and a portion varies depending on the amount of electricity used.

    - **Regulatory Charges**: **The Independent Electricity System Operator (IESO) uses this money** to manage electricity supply and demand in the province, which is necessary to ensure that there is enough electricity to meet Ontario's needs at all times.

*Analysis*

- The Minister only has authority to approve alternatives with respect to the definitions:
    - Subsection 10(3) of O. Reg. 275/04 allows the Minister, to approve different wording for the definitions if satisfied that,
        *a)* The use of different wording is warranted on the basis of,
            *i.* Technical or operational reasons, or
            *ii.* the person's assessment of the preferences of its low-volume consumers; and
        *b)* the wording approved by the Minister promotes the purposes of the wording required by subsection (1).

- Per subsection 10(4) of O. Reg. 275/04, the Minister's authorization to use different wording must be given in writing and must specify the approved wording.

- Hydro One's exemption from O. Reg. 275/04 continues until September 30, 2018. While Hydro One would contend that it has a business need to receive clarity in the near-term (particularly as billing system changes need to be planned), there is no pressing legal deadline necessitating action on the part of the Ministry.

- The Minister does not have authority to grant the additional elements of Hydro One's request (i.e. using a different heading than "delivery", and including information beside the "electricity heading" rather than under it). Beginning on September 30th Hydro One will be required to ensure it uses the heading "delivery" and to comply with all other requirements of O. Reg 275/04.

- Ministry staff have communicated this information to relevant staff at Hydro One and they appear to be satisfied with the Ministry’s position.  They will retain the Delivery heading and explore its options on the formatting change.