Considerations regarding delivery relief

A cap on delivery costs raises both policy and feasibility considerations

- Policy

Inefficiency: Higher income customers who do not need relief will receive it.

Inequity: Low volume consumers will not see benefit since delivery charges will still be a high proportion of their bill.

Long term efficiency erosion: subsidies for customers of high-cost distributors will erode signals for LDCs to invest in and undertake efficiency measures

Dilutes customer focus: reduces incentives for customers and distributors to engage on operating costs and capital planning

- Feasibility

Complexity for LDCs: At least 6 months or more, following finalized regulations, to implement given need to change customer billing systems and determine settlement procedures.

Costly:Potentially material cost impacts for many distributors to upgrade customer billing systems

High Risk of Lock-in: No clear path to transition away from subsidies and toward a more sustainable, cost-based rate framework.

Mitigating Delivery: 5 point plan

- Alternate means of approach could provide substantially the same level of benefit as a delivery cap without as many drawbacks:
  - **Accelerate move to fixed rates** – Complete move to fully fixed distribution rates this year or in 2018 for the majority of distributors, yielding a stable distribution charge for residential customers. Would address issue of high distribution costs for high volume users in other distribution service territories.
  - **Move losses out of delivery line –** would reduce delivery line overall and provide more transparency about distribution and transmission costs for customers.
  - **Focus on Hydro One distribution charges** – Reduce costs for medium and low density customers to be in line with urban ones; do so through existing RRRP. Reaches a substantial majority of customers as delivery cap approach. Easier to implement; funding could be via tax or rates.
  - **Increased thresholds for OESP** – increase OESP credit for all eligibility categories and provide a further enhanced credit for electrically heated customers.
  - **Mitigate commodity costs** - amortize global adjustment over expected life of assets rather than contract duration.