

MINISTER BRIEFING NOTE

SUMMARY OF ONTARIO ENERGY BOARD REPORT: NEW WIRELINE POLE ATTACHMENT CHARGES

Commented [MS(1)]: We are using the term rates & charges synonymously for ease of understanding, but technically, the pole attachment fee is a specific service charge, so we should say an OEB approved charge.

PURPOSE

To provide a summary of the Ontario Energy Board's (OEB) decision on new hydro pole attachment charges for carrier wireline attachments and an overview of the potential impact to broadband deployment in Ontario.

BACKGROUND AND KEY INFORMATION

In order to deploy broadband networks and services, service providers¹ in Ontario pay to attach their fibre to hydro poles owned by local distribution companies (LDCs) or to telecommunication poles owned by Bell. It is important to note that regulated wireline hydro pole attachment charges only apply to wireline attachments for telecom carriers.² Wireline attachment charges levied by hydro companies are regulated by the Ontario Energy Board (OEB), whilst the rate charged by Bell to attach to a Bell telephone pole is regulated by the Canadian Radio-television and Telecommunications Commission (CRTC).

In 2005, the OEB amended the licenses of LDCs to allow telecommunications carriers to access their power poles for joint-use for the payment of a regulated attachment charge.³ The OEB also approved a provincial pole attachment charge of \$22.35 per attacher / per year / per pole, and subsequently allowed LDCs to apply for an LDC-specific charge if the provincial charge did not cover their costs.

Starting in 2015, the OEB began to approve LDC-specific charges to the provincial amount for three LDCs which together, account for over 90 per cent of the poles in Ontario; these specific charges moved from the standard provincial charge of \$22.35 to \$42.00 for Hydro Toronto⁴, to \$41.28 for Hydro One, and to \$53.00 for Hydro Ottawa. As indicated in the appendix provided, this is significantly higher than hydro pole attachment rates in other jurisdictions across Canada. The 2005 provincial charge of \$22.35 will remain for all other LDCs in Ontario until the new OEB charges take effect.

OEB'S NEW CHARGES

On March 22, 2018, the OEB announced a new province-wide hydro pole attachment charge of \$43.63 per attacher / per year / per pole, with this new charge effective on January 1, 2019. The new charge will be phased in beginning with an increase to \$28.09 from September 1, 2018 to December 31, 2018, which represents an adjustment for inflation since 2005. The full charge will take effect on January 1, 2019 and will be adjusted annually, based on an inflation factor, starting 2020. The new province-wide charge will apply to LDCs that do not have an OEB-approved LDC-specific charge in place.

¹ Bell Canada has a reciprocal agreement with some LDCs whereby they share their poles.

² Wireless telecom attachments are considered competitive and are not regulated by the OEB (i.e., LDCs are free to charge a market rate). Other types of attachments (non-telecom), such as charges for other LDC access or generator access is also approved by the OEB.

³ LDCs and their predecessors (MEUs) have allowed third party attachments long before 2005.

⁴ Toronto Hydro's charge was a negotiated settlement between the LDC and the carriers. Subsequently, InnPower (serving Innisfil) also negotiated a settlement with carriers for an attachment rate of \$38.82.

The new attachment charge of \$43.63 represents an increase of over 95 per cent from the original provincial charge of \$22.35 set in 2005. The OEB indicated reasons for this substantial increase, including:

- Increase in indirect costs (e.g. embedded pole cost, depreciation, maintenance and carrying costs costs): OEB has estimated an increase of 43.9 per cent in indirect costs since 2005 (from \$93.31 to \$134.30).
- Lower number of attachers: The indirect costs are being shared by fewer attachers, since the average number of attachers decreased from 2.5 (2005) to 1.3 (2018).
- Increases in direct costs: OEB has estimated increases in direct costs per pole since 2005 (e.g. administrative costs have increased from \$0.69 to \$2.85).
- Inflation: The 2005 rate was never adjusted for inflation, whereas the OEB model includes inflation to 2018 dollars, and ongoing inflation adjustment starting in 2020.

Commented [MS(2)]: Not sure where this comes from? I think it should be \$108.75, for an increase of ~16.5% (from Appendix B of Decision).

Commented [MS(3)]: Total Direct Costs have increased from \$1.92 to \$6.15. Not sure why focus is only on admin costs?

POTENTIAL IMPACT ON BROADBAND DEVELOPMENT IN ONTARIO

According to many ISPs, the high cost of hydro pole attachment charges has a significant impact on their operating costs. For smaller ISPs in particular, these high charges negatively impact the economic viability of expanding broadband connectivity, especially in rural, remote and Northern communities in the province.

The OEB acknowledges that increases in the pole attachment charge may impact smaller internet service providers (ISPs) and their plans to expand network coverage. However, the OEB believes that the increase is reasonable given that carriers (with the exception of those that applied for updated LDC-specific charges) have benefitted from a rate freeze since 2005.

The OEB intends to conduct follow-up consultations to better understand the value to third-party attachers of having access to Ontario's network of more than 200,000 km of low voltage distribution lines (for example, in terms of servicing their existing customers and providing new offerings such as broadband in rural areas). The timing of these consultations is yet to be determined.

NEXT STEPS

MOI will continue to engage with the Ministry of Energy as well as federal counterparts to better understand the potential impact on broadband development in Ontario and explore options for addressing the issues, including considerations and options for achieving a reduced charge or transferring pole regulation responsibilities from the OEB to the CRTC.

MOI staff also understand that there may be an upcoming roundtable held by Minister Thibeault which is expected to include a discussion on pole attachment charges.

APPENDIX

POLE ATTACHMENT RATES ACROSS CANADA	
ONTARIO	
Toronto Hydro (2015)	\$42.00
Hydro Ottawa (2015)	\$53.00
Hydro One (2015)	\$41.28
All other LDCs in Ontario (2015)	\$22.35
<i>All other LDCs in Ontario, effective January 1, 2019</i>	\$43.63
Bell (2016)	\$12.48
BRITISH COLUMBIA	
Shaw (2009)	\$14.48 (low-voltage) \$47.48 (high-voltage) *
ATLANTIC	
Nova Scotia Power (2016)	\$14.15
New Brunswick Power (2016)	\$20.77
Saint John Energy (2016)	\$26.71
Bell (2016)	\$18.48
Newfoundland Power and Aliant (2014)	\$12.84
ALBERTA	
FortisAlberta (2016)	\$14.42
Telus (2016)	\$17.28
TransAlta (2014)	\$18.35
Telus (2014)	\$18.35
MANITOBA	
Manitoba Hydro (2016)	\$19.73
MTS (2016)	\$16.44
QUEBEC	
Hydro Quebec (2016)	\$17.37
Bell (2016)	\$12.48
Telebec (2016)	\$16.08
Telus (2016)	\$9.60

*Note that B.C. is the only Province in Canada to offer different rates for high-voltage vs. low-voltage poles. The OEB has recently articulated a desire to better understand the value to third party attachers of having access to Ontario's vast network of more than 200,000 km of low voltage distribution lines