

The Hydro One Tangled Web

“Oh what a tangled web we weave when first we practice to deceive”

Regular readers will know I have grave concerns about the governance of Hydro One by our provincial regulator. I review the electricity rate programs across Canada and no one tries as hard as Hydro One to hide their delivery charges and make them tough to compare with other electricity distributors in Ontario and Canada and even other residential customers of Hydro One

And our regulator (the Ontario Energy Board or OEB) has generally gone along with them for decades.

Now 4 + years ago the OEB told Hydro One to cut out the Seasonal class and put these folks into one of two rate classes for regular customers in our area, either R2 or R1. Why? With \$2 Billion in smart meters purchased (and charged to you a customer) Hydro One had run out of meter reading excuses and the OEB Board listened to the arguments coalition of cottagers made as intervenors on fairness and equity...charging more for Seasonal customers simply because they had two residences, exempting them from subsidies available to their neighbours and opaque delivery cost charges .

Now let's get some perspective here: there are about 150,000 seasonal customers in the 3.1Million that Hydro One serves. So they are not major financial issues for the utility. And about 78,000 are R2 customers such as we have in North Hastings. That is about 6%. Why would Hydro One be fighting this decision?

But they are politically for two reasons:

Firstly Hydro One decided years ago to overcharge high volume Seasonals and undercharge low volume Seasonals. This is not an opinion, they admit now to doing it for decades and it was supported by the OEB. After many hours of rate hearings, the OEB forced them to move to a flat rate for all customers in a class (previously Hydro One used both a flat rate and a cost per KWH to ensure low volume Seasonals were undercharged). This move is due to be completed in 2022 and is the primary reason that Seasonal customers are seeing big increases today. So this will eliminate the disparity within the Seasonal class which the OEB has finally corrected. And so the Federation of Ontario Cottagers (FOCA) says the problem is solved.

How wrong they are

If Seasonals are eliminated as a rate class then Hydro One will have to explain why major subsidies amounting to \$80-\$100 per month are not available to them, although they meet density and consumption parameters of their R2 neighbours next door who get these subsidies. These subsidies, Hydro One argues, should not be available to folks with a second residence. And the subsidies are much higher today thanks to the Wynne government's desperate attempts to dampen the furor around electricity prices. And the RRRP and DRP credits mentioned above , Hydro One has argued strongly for years they should not be allowed for their seasonal customers.

In addition, Hydro One has density classes it uses , and the elimination of the Seasonal class which has enjoyed a density rate suppressed by inclusion with UR and R1 classes, will double their costs if they are placed in the R2 class without the subsidies above. And the 70,000 customers who would fall into the R1 class are keen to see their rates fall because they will no longer be cross-subsidizing the Seasonals in the R2 class. Did I mention that Hydro One is an expert on rate obfuscation and opaqueness?

The OEB is strategically correct in its drive to simplify our rate structure for electricity delivery in Ontario... there is not another province or utility with our complexity. But they made some real errors dating back decades by approving Hydro One rates that were patently wrong and while the flat rate program per class and the elimination of the seasonal rate are important steps, the huge increases in subsidy programs that don't apply to Seasonals, and the use of blended density rates that cross subsidized the UR, R1 and R2 customers have exposed a bizarre rate structure.

No other utility carrier you can name (phone, satellite, cable, water, gas, internet to name a few) has as complicated a rate plan for delivery as Hydro One

So while FOCA is correct in saying the flat rate program does correct one major error in the Seasonal rate structure (cross subsidization by high volume Seasonals to benefit low volume Seasonals), there are many more rate errors to be dealt with before we should be satisfied with our utility and regulator as FOCA appears to be.

If you are a Seasonal customer stay tuned as hearings are about to begin on the elimination of the Seasonal class as promised by the OEB in 2015.

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