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**London
Hydro**

August 13, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto Ontario M4P 1E4

**Re: Comment Letter - Proposed Revisions to the Regulated Price Plan Manual
Changes to the Calculation of the Final Variance Settlement Amount for
Consumers that Leave the Regulated Price Plan (EB-2013-0273)**

Dear Ms. Walli:

With respect to the Ontario Energy Board's ("OEB") Notice of Consultation on Proposed Revisions to the Regulated Price Plan Manual with respect to Changes to the Calculation of the Final Variance Settlement Amount ("FVSA") for Consumers that Leave the Regulated Price Plan ("RPP") – Board File No. EB-2013-0273 – issued on August 2, 2013, London Hydro would like to provide our comments to the Board's proposal.

Firstly, London Hydro would like to thank the OEB for initiating this consultation as we are also concerned that growing numbers of customers appear to be taking advantage of the RPP Manual and the FVSA program since October 2012. London Hydro understands that at the time of developing the RPP Manual in 2004-2005 by the OEB, the OEB was well aware of the possibility of consumers taking advantage of financial benefits from the FVSA and thus, would monitor the situation. London Hydro agrees with the OEB Board's comments that the opportunity for financial advantages to consumers has increased due to the present environment of persistent credit positions of the FVSA. As a result, certain organizations are exploiting this opportunity; perhaps more appropriately said, these organizations are "gaming the system." For that reason, London Hydro welcomes and expresses our thanks to the OEB for requesting London Hydro's input on the impact of this issue.

Our Commitment is To Our Customers

In regards to London Hydro's experiences we have confirmation that certain multi-unit residential customers (classified as General Service over 50kW) are consistently switching back and forth between RPP and spot pricing options, on a monthly basis. London Hydro assumes that the reason these customers intentionally switch between RPP and spot pricing is to realize a financial gain, which is extremely unfair to the majority of RPP customers who do not take advantage of the FVSA credits. The FVSA credits customers are receiving are significant. These customers have received the FVSA credits well into July 2013, and are expected to continue taking advantage of the program, unless the rules in the RPP Manual are modified and improved.

In addition to the issue of customers switching between RPP and spot pricing, the extra costs and administrative burdens associated with this switching falls on the electricity distributors. The incremental costs associated with the process of monthly switchovers are related to:

- formal communications procedures with customers,
- obtaining and analysing customer energy and FVSA price data,
- calculations to determine FVSA amounts,
- changing rates on billing system to new prices,
- entering FVSA credits to customers' accounts, and
- other administrative processes to accommodate constant switchovers.

These procedures are not only time consuming and burdensome for the electricity distributor, as much of the work requires manual entry, but to move from a manual entry system to an automated approach requires a significant investment on the distributors part. These incremental costs are, ultimately, borne by our customers, a majority of whom are already unfairly absorbing these processing costs as well as the costs from the financial gains of customers taking advantage of the FVSA program.

Therefore, London Hydro supports the OEB's proposal that "distributors should be in a position to readily administer a more precise FVSA calculation methodology than might have been the case when the RPP was initially developed." For consumers who are on the RPP for less than 12 months, the proposed revisions that the FVSA be calculated based on that customer's consumption over the period which the customer was on the RPP is appropriate. The proposed revisions allow for a more fair and methodical approach to the FVSA calculation. Consequently, customers who are "gaming the system" will find it more difficult to take advantage of the FVSA credits program.

The number of customers, who may in the future realize the financial benefits of the RPP/spot pricing switchovers, causing considerable administrative burdens, remains unknown. The impact of this unknown number on administrative procedures could be

nightmarish and costs considerable. While an administrative charge would mitigate cross subsidization between customers who switchover and those who do not, London Hydro does not support a consideration to implement a broad based fee to those customers who switchover. Rather, London Hydro's proposal to the OEB would be that customers are not permitted to switch between RPP and spot pricing during a specified period of time, for example, a six month period. London Hydro understands the reason for allowing customers to switch between pricing methods is to provide them with more pricing options, so that they may choose the costs of electricity that best reflects their needs; however, to accommodate this, London Hydro is proposing that the OEB implement a condition on the amount of time customers are required to stay in the RPP program, before a switchover is permitted. Thus, if the customer elects to transfer out of the RPP program early, then an administrative charge is applied to the customer's account. This approach would allow electricity distributors to apply an administrative charge to the customer who switches from RPP to FVSA before the predetermined period. A charge of this nature would potentially reduce cross subsidization between customers, as well as put the onus on the customer to pay for the costs associated with switchover procedures.

In conclusion, London Hydro supports the OEB's proposal for changing the FVSA methodology to calculate based on the customer's consumption over the RPP period, if on the RPP less than 12 months as the impact of this change would likely reduce the exploitation of the FVSA. However, in addition to this concept, in consideration of the costs of maintaining the RPP/spot price switchovers and the unfair cross subsidization, London Hydro is requesting the OEB to explore the idea of implementing an administrative charge that would be applied to a customer's account, should they not stay in the RPP for the predetermined period of time.

Should you have any questions or comments with respect to this letter, please do not hesitate to contact me. We would be delighted to assist.

Regards,



Mike Chase, CMA, MBA
Director of Finance and Regulatory
London Hydro Inc.