

DECISION

On September 17, 2020, the Ontario Energy Board (OEB) issued a [Decision and Order](#) that confirms that Hydro One Networks Inc.'s (Hydro One) seasonal rate class will be eliminated and that Hydro One's seasonal customers will be moved into Hydro One's existing residential rate classes.

Based on information provided by Hydro One, the overall impact is that more than half of seasonal customers are expected to experience a monthly bill increase in the range of \$5 to \$79, while almost all of the remaining seasonal customers are expected to experience a monthly bill decrease in the range of \$8 to \$38, depending on consumption.

The final impacts will not be known until Hydro One has provided an updated report to the OEB that includes proposed mitigation measures to address the bill impacts for seasonal customers. Bill mitigation is a tool used by the OEB to protect consumers from having large bill increases at one time – for example, by phasing in the increase over a number of years.

Hydro One's report is due to be filed by October 15, 2020.

BACKGROUND

The seasonal rate class is made up of about 148,000 residential customers that receive electrical service at dwellings that they do not occupy long enough during the year to meet the requirements for Hydro One's other, year-round residential customer distribution rate classes. The dwellings in question can include cottages, chalets and camps. The seasonal rate class is defined largely on the basis of the number of months of occupancy per year.

By contrast, Hydro One's other residential classes are density-based, defined by their geographic location and the number of customers per km of distribution line. Although seasonal customers occupy their dwellings for less than the full year, the distribution system assets that meet their need for electricity service have to be maintained by Hydro One on a year-round basis.

The OEB first decided to eliminate the seasonal rate class in [2015](#), and a new proceeding was started in 2016 to consider the remaining steps for the elimination of that class. That proceeding was suspended while the OEB considered and issued its decision on a major rate application filed by Hydro One in 2017 and was resumed in mid-2019.

At that time, Hydro One was directed to file an updated report on the elimination of the seasonal rate class, including rate and bill impacts and a proposed mitigation plan to address bill impacts higher than 10% for seasonal customers moving to Hydro One's other residential rate classes. The [updated report](#) filed by Hydro One included a proposed alternative that would maintain the seasonal rate class.

The OEB treated this as a request by Hydro One to review the 2015 decision to eliminate the seasonal rate class and allowed Hydro One and other parties an opportunity to make submissions. As a first step, the OEB considered whether there is a basis for a review of the 2015 decision.

The OEB issued a [decision](#) on March 12, 2020 in which it found that there were two changes in circumstances that supported a review; namely:

- the OEB's policy to move to fully fixed distribution rates; and
- the introduction of the Government's Distribution Rate Protection program.

The OEB then considered whether either of these two changes in circumstances should cause the OEB to vary the 2015 decision to eliminate the seasonal rate class.

In the decision issued today, the OEB found that neither of these two changes in circumstances cause the OEB to conclude that the 2015 decision was incorrect. The OEB has confirmed that the 2015 decision to eliminate the seasonal rate class should stand, and that seasonal customers should be placed into the same classes as other Hydro One customers with similar use of distribution assets.

HOW THE OEB SETS RATES

When the OEB sets distribution rates, it is guided by a number of objectives, including protecting the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service. One of the decisions that it must make is how to divide costs among different classes of customers. The OEB does this based on what it costs to serve each class. A key factor in this exercise is the relative use of assets, which in turn is a function of customer density. In other words, it costs less per customer for Hydro One to provide service to customers who live in more densely populated areas than it does for those who live in rural or remote areas that require more facilities per customer to serve them.

This ratemaking principle was at the foundation of the OEB's 2015 decision.

FOR MORE INFORMATION

Please visit oeb.ca/seasonalrates for more information.

Contact Us

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Ce document est aussi disponible en français.

This Backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decision and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for decision; those may be found in the Decision and Order issued today, which is the official OEB document.