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November 22, 2018

Barbara Ellard
Director, Markets and Procurement
Independent Electricity System Operator
#1600 – 120 Adelaide Street West
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Dear Ms. Ellard,

Re: Feedback on draft High-Level Design of Single Schedule Market

Toronto Hydro-Electric System Limited (“Toronto Hydro”) respectfully provides the following submission in response to the draft High-Level Design of the Single Schedule Market (“SSM”) (together “the HLD”).

Introduction

Toronto Hydro is the local electricity distribution company (“LDC”) for customers in the City of Toronto. We have nearly 770,000 customers and deliver about 19% of the electricity consumed in the Province. With respect to wholesale electricity markets, Toronto Hydro is a non-dispatchable load. The utility is responsible for settling with the IESO for its commodity electricity purchases and for billing our range of customers, from small residences to large commercial, industrial and institutional customers. We manage a 24/7 contact centre for customer inquiries and compliance. We also manage relationships with retailers, sub-metering providers and customers holding Feed-in Tariff (“FIT”) contracts. Accordingly, Toronto Hydro has a keen interest in the IESO’s Market Renewal Program (“MRP”).

This submission is informed by two overarching sources of input:

1. Financial and operational considerations
2. The results of Toronto Hydro’s most recent Customer Engagement, as filed in its most recent distribution rate application at the Ontario Energy Board (“OEB”).¹

We acknowledge that many of our larger customers may have their own specific views with respect to this consultation. This submission is not intended to be representative of those views.

Further Clarification

In reviewing the HLD and some of the documentation shared publicly in the lead up to its release, Toronto Hydro has identified a number of potential gaps of information or analysis that would assist its

¹ EB-2018-0165, see Exhibit 1B, Tab 3, Schedule 1.

ongoing engagement efforts in the MRP, such as these opportunities to provide comment. We recognize that some or all of these may already be underway or planned for subsequent phases of work.

Specifically, we hope to see:

1. Impacts of SSM on distribution-connected load customers and distribution-connected generation;
2. Consideration with respect to matters that intersect with the purview of the Ontario Energy Board (OEB), specifically changes that may impact commodity rates for residential and low-volume customers set under the Regulated Pricing Plan (“RPP”);²
3. Greater discussion with respect to how future decisions or changes to IESO Market Rules may impact customers;
4. Consideration of review of total costs that will be impacted by SSM changes, such as changes to billing systems or uplift charges as well as impacts of SSM on the Global Adjustment (GA).

Underlying some of these items, Toronto Hydro wishes to emphasize the critical importance of alignment between the MRP and other relevant policy matters under the jurisdiction of the Ministry of Energy, Northern Development and Mines and the OEB. We look forward to working with the IESO, the Ministry and OEB to those ends.

Those items aside, Toronto Hydro’s specific feedback covers five topics:

1. Price implications for distribution-connected load customers
2. Settlement and billing for distribution-connected load customers
3. Settlement and billing for distribution-connected generation customers
4. Options for non-dispatchable loads
5. Future changes

Price implications for distribution-connected load customers

The HLD focuses on pricing for IESO Market Participants, to the exclusion of distribution-connected customers. While it is reasonable that the IESO would focus on Market Participants, non-Market Participants are left to speculate about the impacts of SSM on their electricity costs going forward. The IESO has made broad statements about the benefits of the SSM; Toronto Hydro is keen to see the IESO’s perspective on how it expects the SSM to affect distribution-connected customers specifically.

One way that will necessarily happen is through the RPP. Within the HLD, the IESO states that it is “not aware of any plans to move residential or low-volume customers from province-wide uniform commodity cost setting through the [OEB’s] Regulated Price Plan (RPP).” However, within presentations shared with distributors on the SSM, the IESO has stated that “settlement for RPP consumers and LDC-settled large loads is up to OEB to determine” with respect to zonal or uniform pricing. It is our understanding that HOEP is an input into the calculation of RPP rates; this will necessarily change if the SSM is adopted, though to what new price is not immediately clear. Given the timelines for implementation of the SSM, all LDCs would benefit from greater clarity with respect to this point in order to provide support to their customers.

² RPP Roadmap, EB-2016-0201

Settlement and billing for distribution-connected load customers

Settlement and billing are two critical and interrelated operations at Toronto Hydro. Further consultation should provide clarity to distributors with respect to upcoming changes to wholesale market settlement and customer billings. Given Toronto Hydro is likely to be located within one zone, we anticipate that these changes are largely administrative. However, if there are changes to input line-items or variance accounts, we urge the IESO to ensure that distributors would have enough time to work through the required changes to settlement and billing systems to incorporate new inputs resulting from the SSM. We note in particular that there will be a need to assess how residuals are dispersed to customers, including specific timeframes. We recommend that this process align with the current processes pertaining to Deferral and Variance Accounts.

Moreover, as the SSM is further articulated through the detailed design phase, the IESO should give consideration to transition costs, such upgrades will be required to the settlement and billing systems necessary to implement the SSM. We anticipate that the IESO would seek LDC input with respect to implementation timelines to ensure systems are updated in time for the launch of the SSM and that transitional measures are clearly communicated.

Settlement and billing for distribution-connected generation customers

With respect to wholesale suppliers, the HLD is clear that suppliers will be settled at nodal prices. However, similar to matters pertaining to distribution-connected load customers, the HLD does not provide guidance with respect to settlement of distribution-connected generation. Toronto Hydro acts as a settlement agent for contracts connected to our system, therefore we require certain information – namely, confirmation of the replacement reference price for HOEP – to ensure a seamless settlement and billing experience for our customers.

Options for non-dispatchable loads

As a non-dispatchable load, Toronto Hydro would be subject to zonal prices. That said, based on feedback during the SSM stakeholder engagement, Toronto Hydro understands that, unlike other non-dispatchable loads, distributors would not have the option of electing nodal prices and would not have the option to become a price-responsive load. While we do not believe that the IESO's position on this has changed, the HLD does not explicitly make this distinction. We therefore request that the IESO clarify this point. If there are regulatory barriers preventing distributors from becoming price responsive loads, then those barriers should also be clearly articulated.

Future changes

With the implementation of MRP, we note that future changes to IESO Market Rules will become increasingly material to Toronto Hydro and our customers. For example, since Toronto Hydro would be subject to zonal pricing future changes in the zonal boundaries would impact zonal price. Accordingly, we hope and expect that the IESO will establish a transparent forum for market rule changes.

All of which is respectfully submitted.

Please don't hesitate to contact me at any time.

Sincerely,

A handwritten signature in blue ink that reads "Andrew J. Sasso". The signature is written in a cursive style with a large initial "A" and "S".

Andrew J. Sasso