



October 9, 2014

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

*Via web portal and by courier*

Dear Board Secretary:

Re: **Board File No. EB-2014-0198**  
**Policy Review of Electricity and Natural Gas Distributors' Residential Customer Billing Practices and Performance**

The Electricity Distributors Association (EDA) is the voice of Ontario's local distribution companies (LDCs). The EDA represents the interests of approximately 70 publicly and privately owned LDCs in Ontario.

On September 18, 2014 the Ontario Energy Board (OEB) issued its Draft Report of the Board on Residential Billing Practices and Performance of Electricity and Natural Gas Distributors (the Draft Report). The Draft Report indicates that presently there are 19 electricity distributors representing about 45% of the province's residential customers that use bi-monthly billing for residential accounts. The Draft Report proposes that all distributors that presently use bi-monthly billing adopt monthly billing for non-seasonal residential customers by January 1, 2016.

Since the release of the *Report of the Board: A Renewed Regulatory Framework for Electricity – A Performance Based Approach*, the OEB has been emphasizing the need to consider customer preferences when making plans for investments in infrastructure or additional customer services. Distributors have been encouraged to survey their customers on their preferences. The EDA finds it difficult to understand why the OEB has decided that all residential customers should be placed on monthly billing given that customers of these 19 distributors have not been given adequate information to understand the tradeoffs. There are significant tradeoffs between monthly and bi-monthly billing, in terms of costs, practical issues and value. The EDA strongly disagrees with mandating a certain customer service initiative without adequate analysis and consultation, and without explaining to customers the potential costs. Distributors strongly believe that determining customer preferences with respect to increased customer services should be managed by distributors.

It was recognized that monthly billing may reduce working capital and possibly reduce bad debt, but the costs of mailing and producing twice as many bills is more costly for distributors. For example, increased mailing of 6 additional bills each year is over \$6 per customer (6 stamps at \$0.85, plus 6 more envelopes, bill paper, and ink) in direct or “out-of-pocket” costs. When consideration is given to other incremental costs, including the doubling of billing stock, reviewing and correcting billing exceptions, and additional administrative resources, the added ongoing annual costs for the distributor could be up to \$10-12 per customer. There would also be potentially significant one-time costs related to CIS modifications, establishment and testing of revised business processes, and customer communications. These costs would be only partially offset by working capital reductions and bad debt reductions.

Some distributors presently provide water billing with the goal of achieving improved economies of scale. There may be added complexities for distributors that provide water billing on a frequency other than a monthly basis.

The incremental costs that customers will experience for mailing their 6 additional payments would be at least \$6 for the 6 additional stamps at \$1 each. (This assumes the customer payments are made by mail rather than through visits to the bank or on-line payments). In addition to such out-of-pocket costs, some customers may perceive more frequent payment transactions to be a personal inconvenience.

In some communities, customers may feel that there is value in receiving monthly statements and that this value outweighs the related upward pressure on distribution rates and personal costs. However, in other communities customers may place greater weight on savings in time and costs. Distributors that have not yet incurred the implementation costs of moving to monthly billing want to retain their ability to determine for themselves what customer services their customers prefer and at what cost.

The OEB has argued that monthly billing would provide more timely information on consumption to help customers better manage their consumption and costs. Distributors note that even more timely information is available through web presentment of household consumption information available from smart meters. The services and options available to customers to assist in understanding and managing their household usage are increasing through enhanced web options and green button applications. The tools and timeliness of web services is making the information from monthly billing less relevant.

Distributors also note that customers have the option to use an equal payment plan which is provided monthly and would be better at helping customers to manage bills by making payments predictable. When used with preauthorized withdrawals, mailing costs are reduced. Customers on equal payment plans would be encouraged to monitor their consumption on-line.

Distributors support a voluntary approach to the implementation of monthly billing. Distributors are concerned that there could be significant incremental costs associated with

moving to monthly billing. Distributors incurring the incremental costs to transition should be provided a deferral account to track such costs.

The OEB also sought feedback on proposals to eliminate estimated billing. Distributors have noted that estimated bills are needed when meters cannot be accessed, either from not being allowed by the customer to enter their property or because the smart meter /communication unit malfunctioned. Distributors provide an estimated bill at the time customers expect a bill, because it is better than waiting until the meter can be accessed and a larger bill is issued at a later date when not expected. Distributors noted that the methodology for establishing the estimated bill is built into billing systems and generally there is not one best appropriate methodology. Requiring all distributors to adopt one approach for estimating bills would force unnecessary billing system changes that would provide no added customer benefit. Distributors do not support additional rules for estimated billing practices given that smart meters have already significantly reduced the need to estimate bills.

Thank you in advance for consideration of our comments.

Sincerely,

“Original Signed”

Teresa Sarkesian  
Vice President, Policy & Government Affairs  
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