



November 10, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Via web portal and by post

Dear Ms. Walli:

**Re: Board File No. EB - 2014- 0227
Development of an ongoing, ratepayer funded, electricity bill assistance program**

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

The electricity distributors do not have the requisite expertise to deliver social service programs such as the one being contemplated under the "Ontario Electricity Support Program (OESP)", specifically the intake functions of the program such as identifying and qualifying low income customers and keeping pace with their constantly changing circumstances. By relying on the existing processes for programs such as the Low- income Energy Assistance Program (LEAP) and leveraging existing partnerships with social service agencies, the design and development of the OESP would be faster, and delivery of the program would be more cost effective.

The distributors will continue to support the government policy by doing the billing and collection work as necessary to successfully deliver the OESP. The EDA's comments provided below are specific to the questions set out in the Board's letter of October 23, 2014 assuming that the role of electricity distributors would not change from the existing billing and collection role in delivering the OESP. We recommend that the Board consult with the electricity distributors should there be any change of role for electricity distributors in the program delivery.

OEB's questions and EDA's comments

1. Should the OESP be designed to provide support to the greatest number of low-income customers or to provide targeted support to those low-income customers with the greatest need?
 - The EDA is not an expert on social assistance policies and offers no comments on this question except to say that those with knowledge of and experience with social programs could offer a recommendation.
2. How could the OESP best meet its intended objective?

The EDA prefers the option of providing a percentage-based credit applied to the eligible customer's total bill that is the same for all qualifying low-income customers because:

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Electricity Distributors Association

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- It is easier than other options to administer as it is similar in administration to the current OCEB program.
 - Leveraging the processes that currently exist for delivering the OCEB program would be more cost effective.
 - Using the same low-income definition for OESP as is used for LEAP and the Board's customer service rules can avoid confusion for customers, social service agencies and distributors.
 - Providing a 'customized' fixed-credit that is tied to eligible low-income customers' income level and electricity consumption is administratively complex to implement and would require high upfront costs compared to leveraging the existing processes for delivering the OCEB.
 - The more complex the OESP is, the higher would be the costs of administering the program. The administrative costs include the costs of distributors as well as the costs of social service agencies involved in providing the program. The administrative costs need to be balanced with the benefits of providing the program either to all eligible low-income customers or only to the targeted low-income customers with the greatest need. The point is to keep the administrative costs as low as possible so that funds can be available to customers with the greatest need rather than spending it on administering the program.
 - In order to keep the costs of administering the program low, it is necessary to keep the implementation of the OESP program simple.
3. How the OESP should be funded: through a provincial charge that is uniform for all ratepayers, collected centrally and then paid out to distributors based on their OESP requirements; or should each distributor collect the revenue required to fund the OESP needed for its service area through its distribution rate?
- The OESP should be funded through a provincial charge such as the Rural or Remote Electricity Rate Protection (RRRP) charge that is uniform for all ratepayers. This type of charge could be collected centrally by the IESO. Then the IESO pays the distributors based on their OESP requirements as is done in the case of the current OCEB program. In addition, the administrative costs of implementing the program could also be paid out from the same fund collected centrally for the program delivery.
 - A charge similar to the RRRP would be more transparent compared to bundling it up with other costs such as the global adjustment.
 - The advantage of a uniform rate for all ratepayers is that the cost of the program is socialized across the province by all rate payers. Further, it does not discriminate one service area from the other.
 - If one LDC's service area has a larger number of low income customers, the ratepayers of that area will not have to bear the entire cost of the OESP in their area.

General comments

Potential Savings from OESP implementation

It is unlikely that there would be distribution sector savings achieved by implementing the OESP for the reasons identified below:

- The benefit provided by the OESP as of January 1, 2016 will likely be replacing the current OCEB for low income customers. In addition, the Debt Retirement Charge is expected to be removed from the bill. Therefore, in 2016 and beyond, even with a modest increase in commodity cost,

the overall change in the electricity bills of low income customers would be negligible compared to the present bills. If the bill amounts are likely to stay unchanged for low income customers, the bad debt expense attributable to low- income customers will also not reduce from the current experience. Since the changes in the electricity bills would be insignificant for low income customers, the disconnection costs and delinquent account management expenses are also not likely to change compared to the present.

- For some distributors, the bad debt expense attributable to all residential customers is currently very low as a proportion of the overall bad debt expense. Within the residential customer class, the bad debt expense attributable to low-income customers would be even lower as a total dollar amount.

OESP implementation costs:

- The incremental costs of making changes to the distributors' existing customer information systems (CIS) would be highly dependent on the complexity of the changes required to be adopted for the implementation of OESP. In addition, there would be staff training costs including customer service staff for implementing the OESP. Further, there would also be incremental costs for distributors associated with the additional reporting requirements that would arise from the delivery of OESP.
- The incremental costs of distributors could be recovered from the administration costs of implementing the OESP through the province-wide approach recommended above, instead of recovering from the rate payers through distribution rates. In any case, it is recommended that a deferral account be established for distributors to record the implementation costs for subsequent recovery either through the OESP or through distribution rates as determined by the Board.

Sincerely,

Original Signed

Teresa Sarkesian
Vice President, Policy and Government Affairs
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