

Assurance of Voluntary Compliance

**Pursuant to section 112.7 of the
*Ontario Energy Board Act, 1998***

**LONDON HYDRO INC.
(Licence No. ED-2002-0557)**

EB-2017-0017

I. Background

In response to a consumer complaint, the Ontario Energy Board (OEB) conducted an inspection of London Hydro Inc. (London Hydro), operating under distribution licence ED-2002-0557, during the period November 2016 to May 2017. The purpose of the inspection was to determine whether London Hydro was in compliance with sections 2.6.6 and 2.6.6.2B of the Distribution System Code (DSC) when allocating partial bill payments to outstanding electricity and water charges.¹

Following the inspection, London Hydro agreed to provide this Assurance of Voluntary Compliance (Assurance) to the OEB under section 112.7 of the *Ontario Energy Board Act, 1998* (OEB Act).

II. Statement of Facts

London Hydro is a licensed electricity distributor that operates an electricity distribution system in the City of London. Under an agreement with the City of London, London Hydro also bills customers for water services (including water and wastewater usage) on behalf of the City of London. A customer's invoice may include charges for both electricity and water.

One of London Hydro's residential customers, who was at all material times billed for both electricity and water, fell behind on his bills. On three occasions in 2016, when the customer made partial payments, London Hydro applied less than the entire amount of the payment towards the customer's outstanding electricity balance. Instead, London Hydro applied a portion of each payment towards the customer's outstanding water balance.

Sections 2.6.6 and 2.6.6.2B of the DSC set out the order in which to allocate a payment of a bill where funds are not sufficient to cover electricity charges, security deposits and billing adjustments. London Hydro did not allocate all of the payments first towards the electricity charges owing. This practice contravened sections 2.6.6

¹ The relevant provisions of the DSC read as follows:

2.6.6 Where a bill issued to a residential customer includes charges for goods or services other than electricity charges, a distributor shall allocate any payment made by the customer first to the electricity charges and then, if funds are remaining, to the charges for other goods or services.

2.6.6.2B Subject to section 2.6.6.1, where payment on account of a bill referred to in section 2.6.6 or 2.6.6.1 is not sufficient to cover electricity charges, security deposits and billing adjustments, the distributor shall allocate the payments in the following order: electricity charges as defined in section 2.6.6.3, payments towards an arrears payment agreement, outstanding security deposit, under-billing adjustments and non-electricity charges.

and 2.6.6.2B of the DSC.

London Hydro acknowledges that its Customer Information System (CIS) allocates partial payments on a proportional basis between outstanding electricity and water arrears and is therefore not compliant with the DSC. London Hydro advises that upgrading the CIS to automatically allocate partial payments in the order specified by the DSC would cost approximately \$600,000 in capital costs, in addition to the allocation of internal resources to the upgrade project. In view of (a) the scale of the required investment, (b) the fact that the OEB is currently conducting a review of the payment allocation rules as part of the broader review of Customer Services Rules review in EB-2017-0183, and (c) the fact that London Hydro's CIS is approaching its end of life and will need to be replaced, London Hydro has proposed to correct the allocation functionality of its CIS when it replaces the CIS.

As an interim measure, London Hydro has initiated a manual verification process to ensure no customer is disconnected as a result of the improper allocation of payments as between the electricity and water components. Under this process, an account specific report is generated for each customer identified on London Hydro's daily disconnection list. The purpose of this report is to allow the collection department to ensure that all disconnection orders have been issued pursuant to the proper allocation of any payments made by an affected customer. Under this new process London Hydro only initiates service disconnection for non-payment of electricity services after confirming that all of the affected customer's payments have been allocated to electricity charges pursuant to the requirements of the DSC.

London Hydro's interim process will not bring it into compliance with the DSC with respect to the allocation of payments, but will ensure that the non-compliance avoids the negative consumer impacts the DSC's allocation process is intended to achieve. It is on this understanding that the following assurance is provided.

III. Assurance

London Hydro hereby assures the OEB that it will take the following measures to address the contravention of sections 2.6.6 and 2.6.6.2B of the DSC:

1. London Hydro will ensure that when it replaces its CIS, the new CIS will, in the case of an invoice that includes charges for goods or services other than electricity charges, allocate any payments made by the customer in the order required by the DSC, as it may be amended from time to time.
2. London Hydro will confirm in writing to the OEB, forthwith upon the

replacement of the CIS in accordance with paragraph 1 above, that the replacement has occurred. If the replacement has not occurred by 3 years from now, London Hydro will advise the OEB and provide an update on the replacement project.

3. Pending the replacement of the CIS in accordance with paragraph 1 above, London Hydro will ensure that in every event where a customer's account is in arrears and flagged for disconnection, a thorough review of the account will be completed by generating an account specific report which will allow London Hydro to confirm that all payments made by the customer have been allocated in the order required by the DSC, as it may be amended from time to time. London Hydro will ensure that no customer's electrical services will be disconnected for any arrears other than electrical arrears. London Hydro will also ensure that, in the event late payment charges were imposed contrary to section 2.6.6.2A² of the DSC, those charges will be reversed.
4. London Hydro will pay the OEB an administrative monetary penalty in the amount of \$10,000 within two weeks of the date this Assurance is accepted by the OEB. Payment shall be made by cheque or electronically with notice sent to the Board Secretary.

IV. Consumer Rights

Nothing in this Assurance affects any rights a consumer may have as against London Hydro at law.

V. Failure to Comply

London Hydro acknowledges that this Assurance has the same force and effect as an order of the OEB pursuant to section 112.7(2) of the OEB Act.

² DSC section 2.6.6.2A reads as follows:

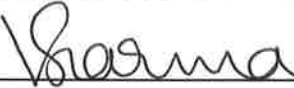
Where payment on account of a bill referred to in section 2.6.6 or 2.6.6.1 is sufficient to cover electricity charges, security deposits and billing adjustments, the distributor shall not impose late payment charges, issue a disconnection notice or disconnect electricity supply.

VI. Execution of Assurance

I have the authority to bind London Hydro to the terms set out in this Assurance of Voluntary Compliance.

Name: Vinay Sharma

Title: President and CEO

Signature: 

Dated this 12th of January, 2018