

General Comments

All customers - regardless of payment history - receive the same safe and reliable distribution service. Not surprisingly, customers prefer to remit payment over longer timelines. An implicit consequence of many of the proposals set out in the Ontario Energy Board's (OEB) Report is to shift cost responsibility from customers with a history of making partial payments, late payments or both to those with good payment histories. The Electricity Distributors Association (EDA) observes that one of the OEB's key roles is to balance affected interests and protect all consumers and seek to understand how this implicit consequence appropriately fulfils this role.

Our LDC members serve Low Income consumers and recognize that, from time to time, customers will struggle to pay their bill in full and on time and, cognizant of that fact, do their utmost to help those customers manage their bills. The EDA looks forward to the OEB's review of the Low-Income Energy Assistance Program Emergency Assistance that was announced on October 1.

Electricity – Natural Gas Convergence

The EDA does not take a position on the appropriateness of converging customer service rules applicable to regulated natural gas distributors with those applicable to electricity distributors. The EDA notes that this design feature may facilitate market entrants who intend to be active in providing both natural gas distribution service and electricity distribution service. While convergence of policies and codes may benefit consumers (e.g., by reducing confusion) it is not always appropriate; please see the EDA's submissions on the Disconnection Moratorium and the appropriate date to reconnect previously disconnected customers. The EDA notes that regulatory instruments can be harmonized by imposing consistent performance criteria and consistent expectations, or, by wording criteria and rules to refer to the "minimum" or "maximum", as the case may be, outcome allowed by the regulator (e.g., maximum number of days to perform a service or complete an action).

Unit Suite Meter Providers

The EDA understands the Board's rationale for its position on Customer Service Rules applicable to Unit Suite Meter Providers (USMP). The EDA supports the convergence of Customer Service Rules for USMPs with those applicable to electricity distributors so that customers experience consistent levels of service across electricity sector industry participants and within a municipality. The EDA looks forward to the Board progressing on this aspect of convergence upon completion of its USMP Charges Initiative.

Security Deposits

Our LDC members note that Security Deposits offer the best mitigation of non-payment risk, late payment risk or partial payment risk. They are encouraged that the OEB will, in large part, preserve the current policies and rules.

As the OEB’s Report points out, residential customers who lack a demonstrable credit history present an unknown Bad Debt risk. However, where the Report presents Equal Payment Plans (EPP) and Pre-Authorized Payment Plans (PAP) as substitutable risk management strategies, the EDA disagrees. PAPs are the superior risk management tactic, when Security Deposits cannot be sought. The EDA recommends that the OEB’s provision of consumer protection could be enhanced by providing rules about the minimum period that a customer must satisfactorily participate in a PAP to be relieved of the need to provide a Security Deposit. In tangible terms, and using an extreme situation, is it appropriate for a consumer whose second payment under a PAP is returned “Not Sufficient Funds” (NSF) to continue to be exempt from providing a Security Deposit?

The EDA takes no position on the appropriate period to hold security deposits rendered by small business customers. LDCs note that small business failure rates are high during the first years of business and that while this risk may diminish over time it nonetheless persists.

Billing & Payment

The EDA suggests that the OEB organize the Report’s proposals chronologically to document the cumulative impact of the proposed changes for all the possible combinations and scenarios. Table 1 below presents the EDA’s rendering of the current and proposed rules as they apply to the scenario of a customer who does not remit payment and where the LDC commences disconnection actions. It is important to note that the bill is issued 15 days after the last day of consumption and that the consumption period is approximately 30 days long.

Table 1: Current and Proposed Rules

Activity	Current Rules		As Proposed in the Report		Difference	
	Allowed Days	Cumulative Allowed Days	Allowed Days	Cumulative Allowed Days	Allowed Days	Cumulative Allowed Days
Bill issued						
Payment Due	16	16	20	20	+ 4	+ 4
Mail Period	3	19	3	23	0	+ 4
Payment Over Due Notice	0	19	14	37	+14	+18
Mail Period		19	3	40	+ 3	+21
Disconnection Notice	10	29	14	54	+ 4	+25
Mail Period	3	32	3	57	0	+25

There are many other scenarios to render using this technique, or other techniques, that will clarify the impact to both the customer and the LDC and will also provide an early indication of whether the changes to LDC’s business processes and practices, manual or automated, will be straight forward or complex.

LDCs seek confirmation from the Board that the current and proposed policy of allowing a customer to select a payment date is to be operationalized as follows:

- The LDC identifies 2 potential payment dates (e.g., for how they align with the customer's billing cycle);
- The LDC communicates the identified dates for processing the automatic payment to the customer and advises the customer that they may pick either date;
- The customer selects one of the 2 dates identified by the LDC.

The EDA interprets this proposal as being applicable only to customers who enroll in either an Equal Billing Plan (EBP) or an EPP. If the Board intends different applicability LDCs will likely require a longer transition period and may not be able to achieve the benefits of automation.

LDCs have some direct experience in facilitating customer selected automatic payment dates. If this proposal is adopted then LDCs expect that the Board will provide clarification and other support as they prepare for greater customer use of this option. LDCs also expect that the proposed system changes to operationalize customer choice of automatic payment date may be significant and/or complex. The EDA requests that the OEB provide adequate time for LDCs to amend business processes, complete programming changes and to test all changes thoroughly. For example, one LDC has described that a period of 9 months is required so that their Customer Information System (CIS) vendor can program the changes, the LDC can subsequently implement and test the changes and then test bill presentment.

The EDA points out that the proposed changes invoke a direct and tangible link to the Lead-Lag Studies that the OEB uses for rate making purposes. For example, if the proposed changes are adopted then a typical good paying consumer's bill payment lag period that was previously assumed to be 16 days should correctly be extended to 20 days. This change will have the effect of increasing the Working Cash Allowance (WCA) that is quantified by the Lead-Lag Study, all other things being equal. Whether LDCs provide a grace period is relevant to the quantification of the WCA if, and only if, the grace period was explicitly included in the lag period assumptions. By similar reasoning the proposed changes to the timelines that must elapse before a customer can be disconnected will also put upward pressure on the WCA. Any impacts to the WCA included in an LDC's rate base, and the consequential impact on its Board authorized Revenue Requirement, should be quantified and either disposed of through a rate rider or recorded in a deferral account that will be disposed of through rates in a future period.

Billing & Payment: Equal Billing Plan, Equal Payment Plan

Pre-2015, LDCs billed residential customers over differing periods and for many years supported customers desire for predictability by providing EPPs. Under an EPP the customer is billed based on their actual consumption and the actual level of service provided, and, is expected to remit payment of an equalized monthly amount based on historical electricity bills. LDCs have less experience administering EBPs; they understand that under an EBP the customer is billed based on a levelized amount of consumption and is expected to remit payment of an equalized monthly amount based on their historic electricity bill. Under either EPP or EBP the amount due is expected to be the same each month. The advantage of EPP is that the customer is aware of the actual level and cost of both the energy consumed and service provided; under an EBP, this data is not evident. LDCs point out that while customers who participate in an EBP receive a consistent bill each month where none of the lines exhibit variation the

LDC must correctly compute the actual bill and do so in a timely manner so that the LDC can correctly settle with the IESO according to the IESO's timelines, record the appropriate entries in the appropriate Deferral Accounts, and maintain accurate records to support calculating unbilled amounts. There is a clear duplication of activities and hence costs under this billing option.

EDA members note that their CIS have varying capabilities and capacities to provide EBP or EPP. The expanded residential payment options contemplated in the Board's Report including the provision of EBP as well as EPP, the provision of PAP and of customer choice of payment date may require substantial system changes with respect to bill calculation and presentment. The EDA seeks greater clarity from the OEB on whether an LDC that does not currently provide an EBP would, if these proposals are adopted and codified, be mandated to do so and of the LDC's ability to recover the associated costs through rates.

For these reasons the EDA recommends that the OEB amend its proposal to require that all LDCs offer EPPs and to permit them the option to offer both EBPs and EPPs.

LDCs recognize that it may be advantageous for low income or vulnerable consumers who wish to both improve their ability to correctly predict their bill amount and be certain that they remit payment on time to enroll in PAPs in combination with enrollment in an EPP. LDCs point out the customer who enrolls in a PAP may be disadvantaged if, for example, they are at risk of incurring NSF fees. From the LDCs perspective, participation in an EPP program results in the LDC carrying a debit balance for several months. The EDA recommends that only customers with a satisfactory credit history be allowed to enroll in an EBP and that customers with an unsatisfactory credit history be obliged to simultaneously enroll in an EPP with PAP.

As stated elsewhere, the EDA proposes that customers who enroll in an EPP be eligible to choose between two LDC identified dates for processing automatic payments.

The OEB proposes that either the LDC or the customer be able to seek an adjustment to the levelized monthly payment so that over/under charging customers can be minimized or avoided. While the EDA supports achieving this outcome our members seek clarity so that it is transparent to the consumer that amending the payment is to achieve this end result and that the consumer is not permitted to amend payment for any other purpose. The EDA proposes that the OEB clearly reaffirm:

- that a monthly payment can be decreased only at the discretion of the LDC;
- that a customer may request a decrease only if there is a tangible concern that the customer is being over charged;
- that the amount of the decrease is to be based on historical consumption patterns.

The EDA also proposes that the OEB clearly reflect that a monthly payment can be increased at the discretion of either the LDC or the customer. The suggested clarifications are expected to achieve appropriate consumer protection.

The EDA appreciates that the proposed rules will provide LDCs with the flexibility to permit a customer to continue to participate in an EPP if they miss more than two payments in a 12 month period and are prepared to responsibly apply this flexibility. The EDA requests that the OEB provide clarity on what is

considered a “missed” payment (e.g., the status of a partial payment, the status of a PAP enrolled customer whose payment is returned as NSF).

All of the above comments presume that the Report’s proposals will be codified. Codification will assist LDCs in appropriately and consistently revising business processes and practices, including those relied on to support CIS routines and programs. LDCs seek appropriate transition periods that will allow sufficient time to adapt business practices and processes, change the functionality of existing systems, allow for coordination with planned investments in distribution and business systems, and, provide adequate time for thorough testing.

Billing & Payment: Pay by Credit Card

The EDA is encouraged that the OEB will continue to permit LDCs discretion to provide payment by credit card for situations other than processing payment after a disconnection notice has been issued, whether at the customer’s premises or at the LDC’s offices.

Our LDC members appreciate the flexibility to choose between taking credit card payments and facilitating credit card payments irrespective of whether the transaction is made at the customer’s premises or at the LDC’s offices. The EDA notes that not all LDCs have the systems or processes in place to take credit card payments, rather they facilitate credit card payments through a third party. The EDA recommends that any amendments to the Distribution System Code (DSC) concerning credit card payments should accommodate these LDCs so that they are not required to take on this role themselves.

LDCs note that all parties will benefit from a clear understanding of how credit card fees are to be recovered and from whom.

Billing & Payment: Allocation of Payment

The EDA seeks further clarification of the OEB’s rationale on the allocation of payments and on the implementation of the OEB’s proposals.

LDCs provide electricity distribution, a public good, on commercial terms. In the context of the allocation of payments the EDA suggests that the appropriate application of this objective is to apply payments to electricity first and all other goods and/or services second. Furthermore, many LDCs have programmed their CIS to apply payments to electricity amounts in arrears first and the remainder of the payment to current electricity charges. While this approach addresses the LDC’s need to mitigate risks, it may leave the customer in a position of continually seeking to ‘catch up’.

The EDA does not support giving the customer the ability to allocate payment to avoid unintended outcomes, which are described in the scenarios below:

- Scenario A: the customer chooses to allocate payment to other services, such as water, and not to remit any payment for electricity. LDCs point out that during the Disconnection Moratorium the customer may direct that payment be applied exclusively to water – either once or potentially

for the duration of the Moratorium. This would cause the LDC to carry an increasing arrears balance for electricity and incur a greater risk of having to write off this amount to Bad Debts. The EDA acknowledges that Bad Debt expense is recovered from all ratepayers.

- Scenario B: the customer chooses to allocate payment to electricity charges and not to remit the Security Deposit. This is an undesirable outcome, as a security deposit is the best mitigation against non-payment, partial payment or late payment.

Our LDC members seek to understand a number of aspects of administering the customer's allocation of payment including:

- whether the customers' ability to allocate payments is to apply prospectively or retrospectively;
- whether the customer can provide a permanent allocation or whether it can be changed for each billing period;
- if the LDC can require a minimum notice period (e.g., to accommodate changes to automated systems);
- whether the customer must provide written direction to allocate payment or if the LDC can rely on a recording of the customer's verbal direction (e.g., in case of dispute);
- whether a 3rd party can direct the allocation of payment and, if so, the documentation required by the LDC;
- whether allocated payments need to be made at the office to be allocated; and
- frequency of request.

The requested clarifications reflect situations that LDCs routinely encounter and that are not clearly dealt with in the OEB's Report.

The OEB's proposal to permit the customer the ability to allocate payment is expected to be administratively cumbersome, to require significant process and system changes, and may be supported entirely through manual processes.

Billing & Payment: Arrears Payment Agreements

LDCs have offered customers the OEB prescribed Arrears Payment Agreements (APA) for many years and, as required by the OEB's Report and Record-Keeping Requirements, submit data on APAs. LDCs analysis of the data submitted to the OEB shows that APAs are infrequently used and, when they are used, that they are typically unsuccessful. For example, one LDC reports that 25% of the customers who enter into APA's respect the terms of the APA and that 75% do not. LDCs have a long standing concern over the efficacy of offering a customer who defaults on bill payment the ability to participate in an APA. Collections professionals recognize that the customer's ability and willingness to remit payment does not improve upon entering into an APA. Because APAs typically do not mitigate non-payment or partial payment risk there is little to be gained by relieving the customer from Late Payment Charges (LPC). LDCs seek clarification that they continue to be able to apply LPC when customers enter into payment arrangements, other than an OEB authorized APA.

The EDA points out that because the OEB prescribed APA is administered over a set time period it is possible for customers to use the APA to achieve an advantage; for example, due to timing the residential customer can seamlessly transition from the APA to the Disconnection Moratorium without resolving the outstanding arrears. LDCs question whether the OEB considers this an unintended consequence.

LDCs are currently incented to offer reasonable payment arrangements to small business customers – LDCs commence disconnection action against any customers, including small businesses, only as a last resort. The EDA points out that under the OEB’s proposals a small business customer who does not complete an APA will be eligible to participate in another APA upon waiting 12 months while a customer who successfully complete an APA are barred from participating in a future APA for a 24 month period. LDCs question whether the OEB intended that customers who successfully complete an APA should be required to wait longer to be eligible for this relief than would a customer who does not successfully complete an APA.

Disconnection

LDCs have applied the OEB’s rules on Disconnection for many years. The EDA seeks an interpretation or clarification from the OEB on whether customers enrolled in an EPP are eligible for different disconnection rules.

The EDA read the discussion of the elements to be included on the Notice of Disconnection (Notice) carefully. All LDCs provide Notice of Disconnection that comply with the DSC and the OEB has reviewed the Notice that many LDCs rely on. While the Board’s Report clearly set out that consumers rely on a complete Notice that provides all the relevant information, the Report did not offer evidence in support of its proposal that an incomplete Notice be deemed unlawful (e.g., by identifying another jurisdiction where the economic regulator, acting on its own, had empowered itself to determine whether such a Notice is unlawful). If the OEB intends to fulfill this proposal it may need to craft a new regulatory instrument as Codes are regulatory instruments that LDCs must comply with. Regardless of how the OEB intends to fulfill this outcome the EDA proposes that the OEB provide both:

- a worked example or a standard template for a Notice of Disconnection; and
- a standardized process for LDCs to follow to ensure that their LDC’s Disconnection Notice is appropriate and in compliance.

Disconnection Notice Period, Disconnection Timing

As discussed above, the EDA proposes that the OEB organize the timelines for the provision of service, billing, and payment processing under a range of scenarios to better understand the implication of its proposals. The scenarios will include those commonly encountered (such as the scenarios documented in Table 1) and other scenarios such as those described in the list below.

Timeline for a customer seeking protection through APA, LEAP, Disconnection Moratorium:

- a customer can be connected and receive 30 days of service
- the LDC will prepare and issue the bill and allow 20 days for payment
- if the customer does not pay the LDC will issue a Payment Past Due reminder at day 10
- if the customer does not respond to the Payment Past Due Reminder the LDC will proceed to issue a Notice of Disconnection no earlier than 14 days later
- The LDC will schedule the disconnection to occur in the next 14 days
- On the day before the disconnection is scheduled the customer can enter into an OEB prescribed APA
- The customer can default on the APA twice, over a period as short as 60 days or as long as 80 days
- Collection activities are halted for 21 days if the customer informs the LDC they are seeking LEAP assistance
- Note: all time periods must be increased by 3 or 5 days if the LDC relies on mail service to communicate with the customer.

Coincidentally, the customer may be protected from Disconnection if the Disconnection Moratorium is underway. To be clear, under the above timeline, a customer who consumed electricity in June of one year could be eligible for disconnection as late as May of the next year.

LDCs expect that they will continue to have discretion over the form of media used to communicate Payment Past Due and Disconnection Notices. All LDCs are motivated to minimize ongoing costs. Some LDCs will prefer to communicate with customers by mail to balance costs with certainty of delivery, while others will be incented to apply technology (e.g., telephone, email).

The Disconnection Moratorium commences on November 15 of each calendar year. The OEB is proposing to extend the date by which all previously disconnected customers must be reconnected from November 15 to December 1, chiefly so that natural gas distributors have an improved ability to co-ordinate reconnections with customers. Despite the fact that relatively few electricity meters are situated inside a residential customer's premises the OEB is proposing that all disconnected electricity customers be reconnected by that date also. The EDA observes that while the increased number of days to reconnect previously disconnected customers will assist LDCs there is a likelihood of extreme temperatures in the 15 days between November 15 and December 1. The EDA notes that the proposed extension to the reconnection date may increase a consumer's risk of being without heat at times of extreme cold. The EDA proposes that the reconnection date for electricity distributors continue to be November 15.

Non-Payment of Account Charges

Non-Payment of Account Specific Service Charges

If implemented, the OEB's proposals will effectively retire the previously authorized Collection of Account Specific Service Charge and Install/Remove Load Control Device Specific Service Charge.

LDCs note that these charges typically recover material amounts of revenue and that, for rate making purposes, this revenue is included as eligible Revenue Offsets. This treatment reduces the LDC's Base

distribution revenue by the total amount of Revenue Offsets and puts downward pressure on distribution rates. All other things being equal, any reduction to the realized amount of Revenue Offsets risks compromising the LDC's opportunity to earn the OEB authorized Rate of Return which is a key requirement of just and reasonable rates and, because that opportunity supports the LDCs financial viability, gives the consumer confidence that service will continue.

If this proposal is adopted, it should be accompanied with a mechanism that provides relief through rates, either immediately or in future. The EDA proposes that relief be provided in the form of a Deferral/Variance Account (DVA) that tracks the forgone revenue. The proposed change is eligible to be recorded in a DVA as it satisfies the OEB's tests:

- it is expected to be material;
- it is beyond the LDCs ability to control; and
- the change eliminates the recovery through a specific service charge.

It is important to recognize that eliminating the charge does not result in the LDC reducing its costs. LDCs will still issue collection notices – for some LDCs collection notices are among its more effective tool to collect past due amounts and make payment arrangements on customers' accounts. LDCs will recover the incurred costs from all rate payers, whether they caused the LDC to issue a collection notice or did not. LDCs will continue to incur certain costs that are appropriately allocable to the activity of issuing collection notices (e.g., labour, fleet); these continuing costs may need to be allocated differently.

If the Board sees merit in providing immediate rate relief it could transform the Collection of Account Specific Service Charge into an equivalent fixed monthly charge and authorize a Rate Rider in that amount. To operationalize this alternative each non-rate rebasing LDC would:

- provide its OEB approved Revenue Offset, organized on a line item basis so that the revenue assumed to be recovered through the operation of the Collection of Account Specific Service Charge is clearly presented; and
- compute an equivalent Rate Rider by dividing the OEB approved amount of Revenue by the OEB approved number of residential customers and further dividing by 12 months.

The EDA notes that this proposal is expected to result in Board authorized rates and charges that recover the ongoing costs incurred to provide service and that provide an opportunity to earn the Allowed Rate of Return.

By parity of reasoning, LDCs propose that the OEB treat the proposed retirement of the Install/Remove Load Control Device Specific Service Charge in similar manner, either by authorizing a D/VA that records the forgone revenue or a Rate Rider that recovers an equivalent amount of revenue.

The OEB's Report does not address the cross subsidization of costs between customers who cause the LDC to incur costs (including the costs to collect an account, or to install/remove a load control device or to reconnect a Low Income customer) and the LDC's good paying customers. It would be helpful for the OEB to analyze whether this cross subsidization is due or undue, and that the OEB use the 'lens' of the beneficiary pays.

Reconnection Charge

The EDA reviewed the OEB's Report for the rationale supporting its proposal to permit the customer to remit the applicable Reconnection Charge on an installment basis; no compelling reason was found. LDCs note that there is a risk that the Reconnection Charge may be among the charges that fall into arrears and that the OEB should allow LDCs to include this amount in the charges eligible for either payment arrangements or an APA. Alternatively, the LDC could be permitted to negotiate an appropriate period for the customer to remit the Reconnection Charge, on the condition that the full amount would be due if the LDC commences an action to disconnect the customer. LDCs point out that implementing the OEB's proposal to allow customers to pay a Reconnect Charge in installments will typically require programming changes to the LDC's CIS; if this provision is to be adopted, an appropriate Coming Into Force period will be needed.

Late Payment Charge

The OEB's proposals are not expected to result in material changes and are expected to require modest implementation costs.

Comments on Other Issues

The EDA reviewed the OEB's questionnaire and notes that it did not make clear the cost consequences of some scenarios (e.g., the questions did not make clear that customers who exhibit good payment behavior will cross subsidize customers who remit partial payment, late payment or both). The EDA considers it advisable to educate the customer and to be clear about who will be responsible for the consequences of a customer's action or decision.

LDCs note that the rules applicable to Low Income customers would benefit from a review of the Billing and Payment rules that apply in Landlord-Tenant situations. They also note that a consistency review that compares and contrasts the rules applicable to residential customers with those applicable to small business customers (e.g., ability to allocate payment) should be performed. The EDA also suggests that it will be beneficial for the OEB to rely on uniformity for parameters such as days allowed for mail delivery.

Closing Remarks

The EDA observes that the proposals set out in the Board's Report will need to be implemented through Code amendments. The EDA trusts that the OEB is consulting on proposals that are appropriately supported with a favourable cost-benefit analysis.

The EDA expects that sufficient time will be provided to all LDCs to implement and appropriately test the necessary changes to business processes, practices and systems. LDCs expect that they will require a minimum of 6 months to adopt many of the proposed changes and caution that adopting some of the proposals may require more time.

LDCs work with their customers every day on the issues canvassed in the OEB's Report. The EDA suggests that the OEB's Report be framed from the customers' perspective in order to understand causality, the consequences of the recommendations and how the proposals balance the affected interests.