

Hydro One Networks Inc.

7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Jeffrey Smith

Director
Regulatory Affairs

Tel: (416) 345-5721
Cell: (905) 399-5721
Jeffrey.Smith@HydroOne.com



October 5, 2018

BY COURIER

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

Dear Ms. Walli:

EB-2017-0183 – The Ontario Energy Board’s Report on Phase One of its Review of the Customer Service Rules for Utilities

On September 6, 2018, the Ontario Energy Board (“Board”) issued its report on Phase 1 of its review of the Customer Service Rules (“CSR”) for licensed electricity distributors, rate-regulated natural gas distributors and unit sub-meter providers (“Report”). In its letter, dated May 16, 2017, announcing its intention to review and assess the effectiveness of the existing CSRs, the Board indicated that the scope of review for Phase 1 would cover the following: disconnection and reconnection rules for non-payment, arrears management agreements, equal billing plans, security deposits, bill issuance and payment and service charges relating to non-payment. The Board stated that the primary objective of the CSR review would be to “consider how existing customer service rules have been implemented, ensure that they continue to be relevant and serve the needs of consumers, and that they maintain an appropriate balance between customer protection and the ongoing operational needs of utilities”.

In its Report, the Board has proposed a number of changes to the CSRs reviewed in Phase 1 based on its jurisdictional research and the feedback received from the various and broad stakeholder engagement activities undertaken following the launch of the CSR review initiative. Overall, Hydro One Networks Inc. (“Hydro One”) is supportive of the Board’s CSR review initiative and agrees with many of the Board’s proposals, which would rightly provide additional protection and assistance to customers who are having difficulty paying their electricity bills. This response to the Board’s Report will only call attention to the proposed CSR changes that present a concern for Hydro One or where certain issues have not been sufficiently addressed in the Board’s Report.

The first part of this letter will address the two proposed CSR changes that are a main concern to Hydro One, namely the extension to the minimum payment period and the change to the Disconnect/Reconnect charge. In Hydro One's view, the changes proposed would satisfy the interests of consumers but the Board's assessment does not take into full consideration the impact to a utility's operations, including the question of who should bear the cost of these impacts. Hydro One believes that these proposed changes would therefore not align with Board's stated objective in its May 16, 2017 letter.

The second part of this letter discusses the proposed CSR changes where Hydro One does not believe that Board has addressed all of the related issues in this area or further clarification and details are required.

1. Hydro One's Key Concerns

Minimum Payment Period

OEB Proposal:

The minimum payment period before late payment charges can be applied by a utility should be at least 20 calendar days from the date the bill was issued to the customer.

Hydro One has concerns with the Board's proposal to extend the current minimum payment period for electricity bills from 16 calendar days to 20 calendar days because of the significant impact this would have on Hydro One's accounts receivables and working capital. By adding four days to the bill due date, Hydro One's borrowing requirement will increase in order to cover the daily needs, which will result in higher interest expenses. If there is no ability for rate rebasing prior to this change taking effect, the current revenue recovery model for the cash working capital would not offset these incremental costs. Based on the working capital model used for its recent 2018-2022 distribution rate application, Hydro One estimates that the proposed change would impact working capital by approximately \$43 million and that the impact to net income would be approximately \$1-2 million annually due to the increased debt costs.

Disconnect/Reconnect Charge

OEB Proposal:

- *Change the name of the charge from "Disconnect/Reconnect" to "Reconnection"*
- *Distributors should apply the charge to the bill following the reconnection and allow residential customers to pay it in equal installments over a period of three months following the reconnection*

- *Distributors should waive the charge for eligible low-income customers*

While Hydro One agrees with Board’s proposal to rename the “Disconnect/Reconnect” charge, Hydro One recommends that separate and distinct charges be maintained for ‘disconnection’ and a ‘reconnection’ activities. The reason for this is that there are many cases where a disconnection happens without a reconnection (i.e. the customer moves out to a different premise outside of Hydro One territory). In such cases, Hydro One believes that a distributor should have the ability to charge the disconnected customer for the disconnection. However, under the proposed change, distributors would not be able to charge the disconnected customer for the disconnection due to the renaming of the charge. Similarly, if the disconnected customer never gets reconnected, it would be inappropriate for a distributor to charge the disconnected customer a reconnection charge, even though the service will need to be reconnected when a new customer moves in. Hydro One believes that in such cases the customer who was disconnected for non-payment should be charged for a disconnection but not both a disconnection and reconnection. Further clarification is also sought as to how distributors would recover the cost of performing disconnection-related activities if they previously charged a “Disconnect/Reconnect” charge and now would no longer be able to do so if the charge is renamed and applies only to the reconnection activity.

Regarding the Board’s proposal to waive the reconnection charge entirely for low-income customers, Hydro One agrees with this proposal in principle. In 2017, Hydro One disconnected approximately 800 low-income customers. Hydro One would need to adjust its external revenue to recover the cost of doing this work.

2. Request for Further Review and/or Clarification

Security Deposits

OEB Proposal:

- *Security deposit requirements should be waived for new residential customers enrolling in the utility’s equal billing and/or pre-authorized payment plan as determined by the utility.*
- *Security deposits for small business customers should be returned after three years of good payment history.*

Hydro One agrees with the Board that the existing security deposit rules in the Distribution System Code (“DSC”) remain appropriate and supports the Board’s two proposed changes to security deposit rules identified above.

Hydro One would like to note that, during the stakeholder consultation process, it had recommended, along with other distributors, that the Board give consideration to changing the rules in terms of how security deposits are applied in cases of disconnection for non-payment.

Currently, the DSC requires a security deposit collected by a distributor to be released to the customer account prior to the disconnection notice being issued. If the account gets disconnected and the customer applies for reconnection, the DSC requires the customer to pay back the security deposit. In essence, the security deposit acts more as a pre-payment tool rather than as a security being held against the account to mitigate bad debt. Hydro One would recommend a change to the existing DSC rules that would allow for the security deposit to be held until such time that the account is finalized or Good Payment History is met. The deposit is then applied towards the charges on the final invoice or is refunded.

Equal Billing and Equal Payment Plans

OEB Proposal:

- *Distributors should offer non-seasonal residential customers (except customers enrolled with retailers) an equal billing plan*
- *Electricity distributors should offer equal billing customers the option of making preauthorized automatic monthly payments, but automatic payments should not be a pre-condition for enrollment*
- *Equal billing customers choosing the pre-authorized automatic monthly payment option should be provided with a choice of at least two dates within a month for automatic payments to be withdrawn*
- *Distributors may adjust the methodology for calculating the customer's average monthly bill to account for known changes and/or to accommodate a customer request*
- *Distributors may adjust the equal monthly billing amount at any time to accommodate a customer request or if the difference between the equal monthly billing amount and the actual amount is extraordinary*
- *Distributors may cancel the customer's equal billing plan after two missed payments under the plan within an equal billing year*
- *Distributors should offer the equal billing plan to small business customers subject to the following exceptions:*
 - *Customers enrolled with energy retailers*
 - *Customers with less than 12 months' billing history*

- *Customers in arrears or whose participation in the plan in the past 12 months was cancelled due to non-payment*
- *Customers whose consumption pattern is not sufficiently predictable to be estimated on an annual basis with any reasonable degree of accuracy*
- *Distributors should communicate the equal billing plan to eligible customers, at least twice a year, through the customer's preferred method of communication, if known, or otherwise through one or more means that are most effective in making customers aware of the plan*

Hydro One currently offers equal billing plans to all our residential and small business (general service < 50 kW) customers, regardless of whether they are standard supply service or retailer enrolled customers. The availability of the Equal Billing Plan option is communicated to our customers through various means, including but not limited to:

- Hydro One Website - <https://www.hydroone.com/myaccount/budget-billing-signup>
- Hydro One Conditions of Service
- On Bill Messaging
- Call Centre Agent Scripting

Hydro One has no concerns with the Board's proposed changes to the equal billing and equal payment plan requirements. However, it should be noted that significant billing system changes would need to be completed in order to provide equal billing customers with the choice of at least two payment dates. Hydro One estimates that it would cost approximately \$3 million to make the necessary billing system changes. Given that significant system changes would be necessary, a distributor should be afforded an appropriate amount of time to implement these changes. If the Board does proceed with this proposal, distributors should be provided with a variance account to keep track of all costs associated with implementing CSR changes until rebasing can occur.

Lastly, it should be noted that Hydro One cannot provide a choice of at least two billing dates for equal billing customers whose meters must be manually read.

Payment by Credit Card

OEB Proposal:

The credit card payment option should remain at the discretion of the utility subject to the following current Rules:

- *Where a distributor has issued a disconnection notice to a residential customer for non-payment, the distributor must, at a minimum, have the facilities and staff available during*

regular business hours so residential customers can pay overdue amounts by credit card issued by a financial institution

- *When a distributor visits a customer’s property to disconnect service during or after regular business hours, the distributor must have the facilities or staff available to allow residential customers to pay overdue amounts by credit cards issued by a financial institution*

Hydro One has no concerns with the Board’s recommendation to maintain the existing rules as is with respect to allowing customers to pay by credit card. However, Hydro One would again like to recommend that the Board consider introducing provisions that would allow distributors to recover credit card transaction fees through rates when accepting payment by credit card.

Disconnection Notice Period and Timing

OEB Proposal:

- *Utilities should provide customers with an “account overdue notice” at least 14 calendar days before the notice of disconnection is issued*
- *Before disconnecting a customer’s service for reasons of non-payment, a utility should provide the customer with 14 calendar days’ notice*
- *Where a disconnection notice is sent by mail, the disconnection notice should be deemed to have been received by the customer on the fifth calendar day after the date on which the notice was printed by the utility*
- *Utilities should disconnect services within 14 calendar days after the applicable minimum notice period*
- *Utilities should not disconnect a customer on a day when the utility is closed to the public to make payment and/or reconnection arrangements or on the day preceding that day*

Hydro One has no concerns with the Board’s proposed changes to the disconnection notice period and timing requirements but requests that if the Board decides to move forward with these proposals, distributor should be provided with a reasonable time period to implement these changes.

Winter Disconnection and Reconnection

OEB Proposal:

- *Current electricity distribution license conditions relating to winter disconnection ban to*

remain in effect subject to changing the required reconnection date from November 15th to December 1st

- *Develop winter disconnection and reconnection rules for the gas distributors based on the current license conditions in effect for electricity distributors as proposed to be amended*

Hydro One supports and agrees with the Board’s proposal to revise the reconnection date relating to the winter disconnection ban from November 15th to December 1st. The previous alignment of both the mandatory reconnection date and the start of the disconnection ban was a concern for Hydro One, which it had raised during stakeholder consultations. If the Board decides to proceed with this change following the receipt of comments from stakeholders, Hydro One recommends that the Board should move to implement this change immediately through an amendment to distributor licenses and make this rule effective for the 2018-2019 winter period.

During stakeholder consultations, Hydro One had also identified other issues related to the winter disconnection ban rules, which the Board did not address. Given that these issues could potentially have significant financial impacts to distributors, Hydro One believes that the Board should review and address the following issues as part of its Phase 1 review:

1. Hydro One is not in agreement with reconnecting customers ‘free of charge’. The lost revenue resulting from this policy would have to be passed through to all customers and funded through rates. Hydro One does not believe this is appropriate or in the best interest of our overall customer base. Customers that are reconnected for the winter period should still pay the reconnection charge that would normally be charged to a customer who gets reconnected.
2. According to the winter disconnection ban rules, distributors cannot send disconnection letters until the end of the Moratorium. This would delay the first possible date that distributors could actually disconnect into mid-May (or late May if the Board moves ahead with its other changes proposed). Hydro One recommends that the winter disconnection ban rules be revised to enable distributors to send out disconnection notices (prior to the end of the Disconnection Ban Period) that would allow the disconnections to begin on May 1st. (or the earliest business day after May 1st in the event that May 1st lands on a weekend).
3. Hydro One requests additional clarity from the Board with respect to what the expectations are for distributors in terms of the communication and outreach requirements of the Disconnection Ban Period. Specifically, are physical visits to confirm occupancy required? Note that if physical visits are required, this would be costly to Hydro One.
4. Hydro One requests that the Board provide greater clarity regarding the treatment of seasonal properties, such as cottages, during the Disconnection Ban Period. It is Hydro One’s view that a seasonal property should not qualify as an occupied residential property when the disconnection ban comes into effect.

5. Hydro One requests that the Board also provide greater clarity regarding the treatment of the ESA inspection fee and if the fee will be waived on a go forward basis.

Sincerely,

ORIGINAL SIGNED BY JEFFREY SMITH

Jeffrey Smith