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BY EMAIL

Kirsten Walli
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 December 18, 2018, the Ontario Energy Board (“Board” or “OEB”) issued a Notice of Proposal to amend the Distribution System Code (“DSC”), Standard Supply Service Code (“SSSC”), Unit Sub-Metering Code (“USMC”) and Gas Distribution Access Rule (“GDAR”). This notice was issued pursuant to the report published September 6, 2018 on its Phase 1 review of the Customer Service Rules (“CSR”) for licensed electricity distributors, rate-regulated natural gas distributors and unit sub-meter providers (“CSR Report”) as well as a separate review that was conducted in 2016 (but never finalized) into the process in which utilities respond to consumer complaints received by the OEB. The proposed amendments also include a proposal to implement certain proposed changes to service and account charges by way of a rate order.

Overall, Hydro One Networks Inc. (“Hydro One”) is supportive of the Board’s proposed amendments and believes that the amendments will provide further protection and assistance to customers. These amendments represent another important step forward towards ensuring that utilities provide a consistent service level standard to their customers.

That notwithstanding, Hydro One submits, for consideration, the following comments on the proposed amendments included in the Board’s Notice of Proposal:

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.

The Board has proposed to amend section 2.6.3 of the DSC to increase the minimum payment period before a distributor can apply late payment charges from 16 calendar days to 20 calendar days. The Board insists that this will establish a minimum payment period that is consistent with customer expectations and most utility practices in the jurisdictions reviewed by the Board. In its response issued on October 5, 2018 (“Hydro One’s Response”) to the CSR Report, Hydro One expressed concerns with this proposal because of the impact it would have on Hydro One’s accounts receivables and working capital. Based on the working capital model used in its last distribution rate application, Hydro One estimated that the annual impact to working capital would be approximately \$43 million and the impact to net income due to the higher debt costs incurred would be approximately \$1-2 million. Under the current revenue recovery model, the higher debt costs that would be incurred cannot be recovered until rate rebasing. Since Hydro One is not expecting to rebase its revenue requirement until 2023 - approximately 4 year from now - these additional costs would be unfunded.

Despite the comments provided in Hydro One’s Response on the impact that the proposed amendment will have on distributor working capital needs and costs, the Board has stated that it “is not convinced at this time that the impact will be material”. In the Board’s opinion any impact to working capital, “will be outweighed by the benefit of allowing customers a reasonable time to arrange for payments and can be offset by cost saving through operational efficiencies”. The CSR Report and Notice of Proposal do not provide any specific evidence that supports the claim that the additional costs borne by distributors in implementing this change will be outweighed by the benefits of customers having a longer minimum payment period. Furthermore, neither the CSR Report nor the Notice of Proposal show that in jurisdictions where longer minimum payment periods have been implemented, customer arrears have dropped as a result of the longer minimum payment period. Further clarity and explanation is required to demonstrate how cost savings from other operational efficiencies (and which efficiencies specifically) would definitively offset the real and obvious additional costs that will be borne by distributors.

In the absence of this information, Hydro One is not convinced that this purported net benefit to distributors will take place. In the interim, Hydro One requests that the Board establish a deferral account to track distributor costs related to the implementation of this proposal for the purpose of determining whether the benefits realized from the implementation of this proposal justify the costs borne by distributors. This would be a fair method for assessing the actual net benefit of this proposal and ensure appropriate cost recovery for distributors.

Disconnect/Reconnect Charge

OEB Proposal:

By way of a rate order, require that any OEB-approved charges relating to the reconnection of customers who had been disconnected for non-payment be renamed as “Reconnection”

Amend the DSC (section 4.2.5.1A, 4.2.5.2 and 4.2.5.3) to:

- *Prohibit electricity distributors from applying any charges when disconnecting a customer’s electricity service for non-payment*
- *Require electricity distributors to apply the Reconnection charge following the reconnection of service and to offer reasonable payment arrangements to residential customers unable to pay the charge*
- *Require electricity distributors to waive the Reconnection charge for eligible low-income customers*

If the Board proceeds with the proposed DSC amendment above to prohibit distributors from charging a customer for the disconnection of their service for non-payment, Hydro One believes that distributors, who applied the “Disconnect/Reconnect” charge previously to disconnect, should be able to recover the cost of performing these disconnection-related activities in lieu of charging customers for this service. As the Board indicated in its CSR Report, based on the information collected from distributors, there was confusion with respect to when and how the “Disconnect/Reconnect” charge should be applied. Any previous misperception regarding the intended purpose of this charge will now be eliminated by renaming it as a “Reconnection” charge in distributors’ rate orders and this is a positive step. Nonetheless, there is a cost to distributors associated with the act of disconnecting a customer. Distributors who lowered their revenue requirement during rebasing with the expectation of revenue from these charges to offset the costs of performing this work, should have the ability to recover that lost revenue at least until the next rebasing period – four years hence for Hydro One. This would ensure that all distributors are treated equally and are able to recover the prudent cost of performing disconnection-related activities.

Similarly, if the Board proceeds with the proposed DSC amendment to waive the Reconnection charge for low-income customers, the same principles identified above would also apply. In this case, the Board would also need to clarify how distributors will be able to recover the cost of performing reconnections for this segment of customers if a distributor had not included the cost of this work as part of its revenue requirement.

Communication with Customers Using Their Preferred Method

OEB Proposal for Equal Billing and Equal Payment Plans:

Require electricity distributors to 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 by mail

OEB Proposal for Disconnection Notice Period and Timing:

Electricity Utilities must provide customers with an “account overdue notice” at least seven calendar days before the notice of disconnection is issued

The account overdue notice must be delivered through the customer’s preferred method, if known, or otherwise by mail

The Board has proposed to amend section 2.6.2 of the SSSC to require distributors to communicate the availability of equal billing plans to customers through their preferred method of communication, if known, or otherwise by mail. This represents a change from the Board's original recommendation in the CSR Report, which required distributors to communicate equal billing plans through the customer's preferred method of communication but, if not known, "through one or more means that are most effective in making customers aware of the plan."

Similarly, the Board has also proposed to amend the DSC by adding a new section 4.2.4A requiring distributors to deliver any account overdue notice to a customer through the customer's preferred method, if known, or otherwise by mail. In the CSR Report, the Board had recommended that distributors provide customers with an account overdue notice prior to issuing a notice of disconnection but did not specify how the account overdue notice should be communicated.

With respect to these new proposed requirements for communicating equal billing plans and the delivery of account overdue notices, Hydro One does not believe that there is a need in these instances to stipulate that communication must be through the customer's preferred method of communication or through mail (if the customer's preferred method of communication is unknown). Hydro One does not possess a robust listing of the preferred communication methods for its 1.3 million customers and implementing such a capability would have a significant cost and require more than six months to complete. Given the proposed amendments, Hydro One would now be obligated to communicate through mail with its customers in these two situations. Mail is a costly form of communication and would not be any more effective than the present methods employed by Hydro One for communicating with customers in these situations (refer to Hydro One's Response to the CSR Report for these details). If Hydro One is required to change its practice and communicate only through mail in both of these situations, Hydro One requests that it be able to track the additional costs associated with this change through a variance account.

Hydro One is of the view that if a distributor does not possess information regarding a customer's preferred method of communication, the distributor should have the flexibility to communicate equal billing plans and deliver account overdue notices in a manner that is deemed to be acceptable and effective. This is better for our customers. Given the continued move towards communicating information to customers through on-line and paperless methods, Hydro One requests that the Board revert back to the wording initially proposed in the CSR Report for communicating equal billing plan options to customers (as mentioned above). Hydro One also requests that the same wording should be used in specifying how a distributor should deliver an account overdue notice to customers prior to issuing a notice of disconnection.

For the benefit of clarity, if the Board were to proceed with the proposed amendments above in the Notice of Proposal, Hydro One requests that the Board confirm that: (a) a distributor must collect information regarding a customer's preferred method of communication (b) in the case of communicating the availability of equal billing plan options via mail, it would be acceptable for a distributor to communicate these options through the normal bill channel.

Winter Disconnection and Reconnection

OEB Proposal:

Amend the DSC (section 4.8) to adopt the current electricity distribution license conditions relating to winter disconnection ban subject to the following changes:

- *Changing the required reconnection date from November 15th to December 1st*
- *Allowing electricity distributors to issue disconnection notices prior to May provided that no disconnection is carried out before May 1st.*

Amend the electricity distribution licenses to remove the current conditions relating to the winter disconnection ban

Hydro One supports and agrees with the Board's proposal to amend electricity distribution licenses by revising the reconnection date relating to the winter disconnection ban from November 15th to December 1st and allowing electricity distributors to issue disconnection notices prior to the end of the disconnection ban period. Hydro One believes that these amendments are appropriate and they satisfy the Board's objective of ensuring that the proper balance is maintained between customer protection and the ongoing operational needs of utilities.

In Hydro One's Response to the CSR Report, Hydro One had requested further clarity and detail on several issues related to the winter disconnection ban rules, which were not addressed during stakeholder consultations. While the Board did address Hydro One's concern regarding the ability to issue disconnection notices during the winter disconnection ban period, the Board did not address any of the other issues that Hydro One had raised. To ensure there is clear direction and to avoid potential confusion in advance of each winter disconnection ban period, Hydro One requests that the Board review and address the following issues as part of its proposed amendments:

1. Hydro One has stated that 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. Hydro One requested 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 required to confirm occupancy? Note that if physical visits are required, this would be costly to Hydro One.
3. Hydro One requested 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.

4. Hydro One requested 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. While the Board did indicate in its Notice of Proposal that it expected distributors to prioritize the reconnection of properties that would necessitate an ESA inspection, the Board did not provide direction regarding ESA fees in such cases where this expectation cannot be met.

Please contact Jason Savulak at 416-345-5904, if you have any further questions.

Sincerely,

ORIGINAL SIGNED BY JEFFREY SMITH

Jeffrey Smith