

Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
Attn: Ms. K. Walli  
Board Secretary

January 18, 2019

Dear Ms. Walli

**Re: EB-2017-0183 – Customer Service Rules Review, Non-Payment of Account Specific Service Charges**

The Electricity Distributors Association (EDA) thanks the Ontario Energy Board (OEB, the Board) for the opportunity to provide comments in the above named matter. The EDA is the voice of Ontario's local electricity distribution sector, which consists of municipally and privately owned local distribution companies (LDCs). LDCs deliver electricity to over five million residential, commercial, industrial and institutional customers across Ontario and are the trusted face of the electricity sector for consumers. While the OEB is the regulator of LDCs, the municipal ownership of the majority of Ontario's LDCs ensures an added level of accountability to Ontario's electricity consumers. This accountability covers all aspects of the LDC, including customer service.

The EDA's comments in the above named matter are provided in response to the Board's Notice of Proposal to Amend Codes and A Rule, and, to its Notice of Hearing on non-payment of account service charges, both dated December 18, 2018. These comments are organized as follows:

- General comments on the anticipated consequences of the proposed Tariff Sheet changes;
- Specific comments on the proposed Tariff Sheet changes;
- Specific comments on the proposed Code amendments.

These comments reflect the views of the members of the EDA's Regulatory Council, Operations and Engineering Council and its Finance and Corporate Affairs Council, which represent a cross section of LDCs across Ontario.

General comments on the anticipated consequences of the proposed Code amendments and of the proposed Tariff Sheet changes

The OEB has authorized Specific Service Charges (SSCs) related to the non-payment of account for over a decade. The OEB's perspective on the appropriateness of SSCs was set out in its Handbook to the 2006 Electricity Distribution Rates applications. Non-payment of account SSCs were meant to encourage customers to pay in full and on time, were intended to achieve cost causality, and supported distribution rates that reflected the appropriate application of the beneficiary pays principle. Since that time, LDCs have observed the increases in the amounts billed to customers, chiefly related to increases in the Global Adjustment, and have experienced changes in their customers' ability and willingness to pay their bills in full and on time for the goods and services they have already consumed.

The 2006 Rate Handbook clearly set out how the OEB intended to incorporate SSC revenues when setting distribution rates. It articulated that SSCs were to be treated as Revenue Offsets to the Board approved revenue requirement and that they would, all other things being equal, put downward pressure on distribution rates. It is clear that this treatment of SSC revenues was integral to the Board's setting of just and reasonable distribution rates that were designed to be capable of recovering the ongoing costs incurred to provide service and to provide the LDC with an opportunity to earn the Board approved Rate of Return while avoiding undue cross-subsidization. The OEB continues to rely on this approach when setting just and reasonable distribution rates and Revenue Offsets are a material source of revenue for many LDCs.

It is important to recall the objectives of authorizing a SSC premised on some customers not paying their bills in full and on time, and to recognize that the OEB's treatment of SSC revenues as Revenue Offsets accepts that customers who do not pay in full and on time are an ongoing aspect of business. The table below demonstrates that for six of the eight reporting LDCs the OEB approved Collection of Account Charge revenue satisfies the OEB's materiality criteria. It also shows that for nine of the 12 of Collection Charge revenue in the year closest to rebasing was material. The table demonstrates the importance of this source of revenue for LDCs.



Charges (ERSC) revenues and that the lack of data did not compel the Board to order its production or impede the Board from authorizing generic Deferral/Variance Accounts (D/Vas) to record the incremental revenues arising from those changes. For reasons of symmetry and fairness, the EDA considers it appropriate for the OEB to authorize a D/VA on a generic basis if it does not plan to adjust rates immediately. While the EDA is encouraged that the OEB expressly noted that an LDC may apply for a D/VA, the EDA notes that the proposed generic D/VA is expected to be more administratively efficient for the OEB versus the processing and issuing of Decisions on potentially more than 30 applications.

LDCs expect that if their OEB approved revenues are to be impacted as a result of a decision taken by the regulator and at the regulator's initiative that the regulator will provide relief through rates, either immediately or in a future period. The OEB's Notices were silent on the provision of immediate relief through rates. Accordingly, LDCs anticipate that the OEB will provide a mechanism, such as the rate adjustment that was described in the EDA's October 5, 2018 comments in this proceeding or a D/VA whose balance will be disposed of through rates in a future period. LDCs note that the OEB has recently authorized generic D/VAs without the benefit of evidence demonstrating that the Board's three criteria were satisfied in both the Pole Rental Rates and the changes to ERSC proceedings.

The EDA proposes that the Board issue an Order or Orders that provide the requested relief through rates, either immediately through appropriately revised distribution rates or in a future period through the operation of generic D/VA. The EDA notes that the Board can efficiently do so by proceeding on its own initiative.

#### Specific comments on the proposed Tariff Sheet changes

Our LDC members considered the steps required to implement the proposed Tariff Sheet changes that are to be effective May 1, 2019. They point out that they will need to engage their Customer Information Systems contractors to understand the resources required to effect the proposed changes, in particular the time required to program or recode the application of the SSCs that are to be amended. Our members anticipate that coding the proposed changes to the applicability of Reconnection Charge could be challenging and may require innovative coding so that the Reconnection Charges are appropriately applied to only the eligible members of the Residential class. Upon the service provider completing their system changes, each LDC must thoroughly and comprehensively test the changes to ensure that bills are accurate, correct and presented appropriately. All LDCs will require an appropriate period of time to complete all aspects of these changes and additional time to implement new business processes or to appropriately renegotiate contracts with third party service providers, or all of the above. For all these reasons,

the Board's Coming Into Force period of three months should be critically examined for whether it may be unduly and/or inappropriately short.

The EDA seeks to correctly understand the timelines implied by the OEB's Coming Into Force provisions and its expectation that the revised Tariff Sheets will be effective May 1, 2019. For example, the changes to the application of the Reconnection Charge are to take effect three months after the OEB publishes the final amendments to the Codes. Thus, if the Coming Into Force provision is to align with the effective date of the change to the Tariff Sheet the OEB will need to amend the Codes by Friday, February 1.

The EDA notes that the OEB's Notice expresses that the Disconnect/Reconnect SSC pertains to customers whose service is to be disconnected for reason of non-payment. Many EDA members referenced that they apply this SSC when a customer requests a disconnection (e.g., so that the customer can safely perform work downstream of the disconnection). They understand that the OEB's intention is that this SSC will be renamed 'Reconnection', that it is to be applied when the LDC reconnects the non-paying customer and, to address affordability issues, that the amount is eligible for inclusion in the amount subject to payment arrangements but is to be waived for eligible low-income customers.

LDCs have considered how to administer a D/VA that would record the forgone revenues arising from the OEB's proposed changes to non-payment of account SSCs. All LDCs note that forgone revenue of a future period can be approximated by tracking the number of times that the LDC goes to a customer's premises to disconnect, or with historic data (that predates the Disconnection Moratorium) or with the LDC's data that supported its Revenue Offsets in its most recent Rate Rebased application.

### Specific comments on the proposed Code amendments

#### Customer Complaints:

Our LDC members appreciate the clarity of the OEB's proposed definition of 'complaint'. They assume that it can be appropriately operationalized by treating those Code requirements that do not permit the LDC discretion (i.e., the 'shall' provisions) as the 'enforceable provisions' and, to be clear, that all other provisions would not be treated as 'enforceable'.

As always, LDCs will continue to act promptly on all complaints. Our LDC members note that complaints vary in their complexity: some are more straight forward than others and this will impact the LDC's ability to comply with the specified timelines. The EDA proposes that the OEB

anticipate this need and provide a process for LDCs to request and, where appropriate, gain the additional time required to appropriately resolve the complaint without needing to file an application seeking an OEB Order amending their distribution Licence.

The EDA also suggests that the OEB consider the merits of a complaint closure process. Through such a process all affected or engaged entities would be informed that the matter has been dealt with thoroughly, in accordance with the OEB's Codes, and that the matter is considered closed.

#### Security Deposit Rules:

The EDA seeks OEB guidance on how to achieve compliance with the proposed amendments around security deposit rules. The amendments will require LDCs to waive security deposits for new customers but do not address, describe, define or provide objective tests that LDCs can rely on to be assured that the customer is correctly characterized as 'new'. This is a pressing matter for those LDCs whose customer base includes a disproportionately large number of transient customers, such as post-secondary students. Members suggest that the following may be a workable definition:

A 'new' customer is a customer who has not been served by the LDC in the previous 24 months.

LDCs seek additional clarifications on the administration of waivers. The EDA proposes that the OEB clarify that if a customer violates the conditions under which the LDC is to waive the provision of a security deposit that the LDC can remove the customer from all programs that would make them eligible for a continuing waiver (e.g., by unenrolling them from the applicable billing plan) and that immediately thereafter the LDC can seek a security deposit. LDCs also propose that the OEB clarify that the LDC is not to waive the requirement for a security deposit for those customers who enroll in an eligible program and are in arrears, either at the current location or at the previous location.

#### Minimum Payment Period:

The EDA requests that the OEB clarify whether it has explored all aspects of the payment processing timelines of the service providers in other jurisdictions that were surveyed by the Board. LDCs note that consistency and comparability of all, or most, aspects of the payment process should be documented and understood in order to avoid either misinterpretation or unintended consequences. The OEB's willingness to adopt the proposed change is, in part, motivated by its belief that there will be benefits to customers (e.g., when arranging payment)

and that there will be offsetting cost savings. The EDA proposes that the OEB amend its Codes based on objective data and evidence.

In principle, it is appropriate to amend LDCs' working cash allowance for the increase in the payment remittance period. The EDA suggests that prior to acting on this principled approach that the OEB analyze whether it is cost effective.

Equal Billing Plan (EBP), Equal Payment Plan (EPP):

Our LDC members remain concerned that the OEB's terms are not appropriately transparent and are confusing to customers. A customer's bill provides the computation of the charges for the goods and services at the authorized rates and for the customer's level of consumption; it displays the 'billed' amount and the amount of 'payment' due and the due date.

To simplify the discussion and to improve transparency, the EDA suggests the OEB use the descriptions below:

Equal Payment Plan without automatic withdrawal

- Customer's bill displays the actual charges and the payment due is based on an equal payment plan.
- The customer is to remit the equalized payment amount at indicated payment date.
- The customer is not required to enroll in an automatic withdrawal payment plan.

Equal Payment Plan with automatic withdrawal

- The customer's bill displays the actual charges and the payment due is based on an equal payment plan.
- The customer is enrolled in a mandatory automatic withdrawal payment plan.
- The agreed upon payment amount is automatically withdrawn from the customer's bank account monthly.

The EDA suggests that references to an EBP be eliminated. An EBP bills the customer a set amount, regardless of the customer's actual consumption. From the customer's perspective an EBP bill is difficult to understand, for example actual electricity usage does not readily reconcile with billed usage. It is questionable whether a fixed bill amount is capable of satisfying the requirements of O. Reg. 275/04: Information on Invoices to low-volume consumers of electricity.

LDCs note that the OEB's proposed amendments to the rules governing these plans provide LDCs with discretion so that they can appropriately tailor their processes and practices to the needs of their customers. LDCs can be expected to rely on policies that address, for example, whether an extraordinary difference exists, the reasonable number of revisions that a customer may seek in

a year, the minimum time period between requests for revisions and other aspects of these programs.

#### Allocation of Payment:

The EDA and its members support the Board's provision of flexibility that benefits all consumers. LDCs discussed that through this flexibility they could, for example, improve the customer's experience by acting on requests made in writing, by phone where the call is recorded, or by email.

#### Arrears Payments Arrangements (APA):

The EDA and its members support the OEB's explicit acknowledgement that LDCs should be able to negotiate payment plans with their customers, subject to the LDC communicating that the OEB prescribed APA is perpetually available to customers.

#### Disconnection Notice:

Our LDC members understand that they are to continue to adhere to the itemized list provided at Section 4.2.2 of the DSC to ensure that they are issuing compliant disconnection Notices.

The EDA assumes that the Board will be available to review an LDC's form of Disconnection Notice upon request and that this review will yield tangible benefits (e.g., reduce customers making vexatious complaints over the form of the Notice).

#### Disconnection Timelines:

The EDA suggests that prior to adopting these proposed Code amendments that the OEB should gather information on LDCs' past experiences with providing Payment Due reminder notices. This information is expected to assist the Board in understanding whether the increase in the time allowed could result in overlapping bills that may confuse customers as to which bill is past due and, more importantly, the impact of this communication on the customer's remittance of payment in full and according to the LDC's specified timelines. LDCs expressed that the Board should consider the risk of consumer confusion if the Payment Due reminder Notice pertains to the bill for the prior period and overlaps with the issuance of the bill for the current period.

LDCs also suggest that any such amendment should permit the LDC discretion with respect to the form of media used; for example, allowing the LDC to use email, Interactive Voice Recognition systems or mail. This change is proposed to appropriately leverage LDCs' existing communications infrastructure in a cost effective way.

Previously, some LDCs have provided their customers with Payment Due reminder notices and the EDA is aware that some have ceased this practice as a cost control measure. The EDA points out that LDCs that do not currently provide such Payment Due reminders will incur costs both to establish the business process and to issue the reminders. The EDA looks forward to the OEB addressing the recovery of these costs.

Please refer any questions or comments to Kathi Farmer, the EDA's Senior Regulatory Affairs Advisor at [kfarmer@eda-on.ca](mailto:kfarmer@eda-on.ca) or at 905.265.5333.

Sincerely

Justin Rangooni  
Vice President, Policy & Government Affairs