

January 21, 2019

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

Dear Ms. Walli:

Re: EB-2017-0183 – Ontario Energy Board Review of Customer Service Rules – Notice of Proposal to Amend Codes and a Rule and Notice of Hearing

On May 16, 2017 the Ontario Energy Board (OEB) initiated a two-phase review of its customer service rules for the utilities it regulates. On September 6, 2018, the OEB issued its Report, Review of Customer Service Rules for Utilities – Phase 1 (Report). On December 18, 2018, the OEB issued a Notice indicating its intent to amend various codes and a rule in order to make changes to the customer service rules as set out in its September Report. The Notice also initiated a hearing to implement proposed changes to service charges related to non-payment of accounts.

The Consumers Council of Canada (Council) is largely supportive of the changes to the customer service rules and the proposed amendments to the Distribution System Code (DCS), the Standard Supply Service Code (SSSC) the Unit Sub-Metering Code (USMC) and the Gas Distribution Access Rule (GDAR). The OEB undertook a broad review of customer service rules in Ontario and other jurisdictions. It also surveyed both utilities and customers, which informed the changes proposed.

The Council notes that in its Notice and its Report the OEB indicated that its objective of the customer service rules review was to determine whether the rules continue to serve the needs of customers while maintaining an appropriate balance between consumer protection and the ongoing operational needs of utilities.¹ In the comments submitted in response to the Report concerns were expressed by many of the utilities as to whether that balance was being struck. Specifically, both electric and natural gas local distribution companies (LDCs) expressed concerns about the potential cost impacts of the proposed changes to the rules, both with respect to the elimination of certain charges and implementation costs.²

The OEB responded to these comments in the Notice. Specifically, the OEB stated:

¹ OEB Report - Review of Customer Service Rules, dated September 6, 2018, p. 3

² Submission of the Coalition of Large Distributors, dated October 5, 2018, pp. 1-4 and Submission of Union Gas Limited, dated October 5, 2018, pp. 1-4

The OEB acknowledges the electricity distributors' comment that elimination of the two charges relating to non-payment of accounts may have an impact on some distributors. However, given the extent of the impact is not clear at this time the OEB does not find it prudent to establish deferral/variance accounts for all distributors. The OEB notes that any distributor can apply for a deferral account with evidence demonstrating that such an account would meet the eligibility requirements set out in the OEB's Filing Requirements for Electricity Distribution Rate Applications.

Electricity distributors also indicated that the implementation costs may be material for some distributors and they should be allowed to track those costs for future recovery. Gas distributors are of the same view and indicate they plan to track costs in an existing deferral account used for recovering the costs of implementation of GDAR changes.

The OEB notes that some of the proposed amendments reflect the current practices of many utilities and, as such the cost implications for those utilities will be minimal. The OEB acknowledges that at least some utilities will need to incur costs in order to bring their current practices in line with the proposed requirements and that in some cases the costs might be material. The OEB however believes that the benefits of proposed amendments, as discussed above, outweigh the costs. Further the OEB believes that some of the incremental costs are likely to be offset by the expected decrease in costs associated with dealing with customer complaints relating to the customer service issues addressed in the Notice. Utilities are also expected to explore opportunities for cost savings such as the expansion of e-billing, enhanced and timely communication with customers, and improved collection processes. The OEB does not find it reasonable to allow electricity and gas distributors to record implementation costs for future potential recovery. The OEB also notes that it has not been the practice to allow distributors to recover costs associated with implementation of customer service rules and changes to them³.

The OEB's expectation is that generally, the costs to implement the changes will be minimal. The OEB also acknowledges that in some cases the costs may be material, but that the benefits will outweigh the costs. However, many of the LDCs expect the costs to be material. To the extent they are material this will ultimately increase rates. The Council submits that prior to finalizing the customer service rules the OEB should do a detailed assessment of the cost impacts for LDCs. To the extent there is evidence that the benefits will outweigh the costs, there will be no material impacts on rates. If, however, the impacts are material the OEB need to establish criteria for recovery of those costs. Specifically, the OEB will need to determine:

- What are the potential cost implications of implementing the proposed changes;
- What are the off-setting benefits and cost reductions associated with the changes and how do those get incorporated into the cost calculations?; and
- How should the costs be recovered?

In addition, the Council is of the view that the OEB should allow sufficient time for the LDCs to make these changes (e.g. CIS changes) to ensure they are undertaken in the most cost-effective way possible.

³ Notice, pp. 41-42

Yours truly,

Julie E. Girvan

Julie E. Girvan