

January 14, 2011

Ms. Cynthia Chaplin
Chair
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Suite 2700
Toronto, ON, M4P 1E4

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chair
ONTARIO ENERGY BOARD

Dear Ms. Chaplin:

Re: Code Changes Related to Arrears Management and Customer Services Rules for Low Income Customers (EB-2007-0722)

I am writing to you in my capacity as EDA Chair for 2010/2011. The Electricity Distributors Association is the voice of Ontario's local electricity distributors, the publicly and privately owned companies that safely and reliably deliver electricity to over 4.7 million Ontario homes, businesses, and public institutions.

On September 30, 2010, the OEB sought comments on proposed Code changes related to arrears management and customer services rules for low income customers. The EDA provided comments on the OEB's proposals in an October 25, 2010 letter (attached).

Since filing the comments, the proposed changes have caused increased concerns among many distributors. These concerns include:

- Distributors are taking on a role that may more appropriately belong to existing social agencies. Social agencies can assist customers more effectively, perhaps before they get into arrears.
- Establishing a new group of customers (based on income in this case) goes against the long standing principle of equal treatment for all customers.
- The cost of administering specialized programs will be passed on to customers through rate increases.

The concerned EDA members fully understand the difficulties in which customers may find themselves. They feel however, that the Code amendments are incorrectly shifting social policy responsibilities onto distributors. It is respectfully requested that the OEB reconsider these changes.

Yours truly,



Brian Bentz
EDA Chair

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October 25, 2010

Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON - M4P 1E4

Via web portal and by courier

Dear Board Secretary:

Re: Board File No. EB-2007-0722; Low-Income and Other Customer Service Amendments

The Electricity Distributors Association (EDA) is the voice of Ontario's local distribution companies (Distributors). The EDA represents the interests of the over 80 publicly and privately owned Distributors in Ontario.

The EDA would like to provide the attached submission in response to the Ontario Energy Board's Notice of Proposal to amend the Distributions System Code, the Retail Settlement Code and the Standard Service Supply Code in respect of customer service rules. The EDA's submission has been prepared in consultation with the EDA members of the Regulatory Council.

The EDA would like thank the Board for giving the opportunity to provide comments on this important initiative and looks forward to working with Board members and staff in this regard.

Yours truly,

"Original Signed"

Maurice Tucci
Policy Director, Distribution Regulation

Attached: EDA submission

dp/mt:

EDA's Comments on the Proposed Low-Income and Other Customer Service Amendments

Eligibility for Low-Income Electricity Customer Programs

Distributors will offer the low-income customer programs to a customer after receiving a confirmation from a social service agency or a government agency on the eligibility of the customer for low-income provisions. However, a low-income customer, once certified as 'low income', may continue to use the special provisions despite an improvement in his/her personal income. To avoid undue exploitation of low-income programs, we recommend that a customer's eligibility should be re-evaluated periodically, for example, once every year. The customers making use of special low-income programs should be required to provide a written confirmation issued by the concerned agency, reaffirming the customer's eligibility for special programs meant for low-income customers.

Further, students in rented accommodations should not be considered low-income customers. The owners of residential properties who receive a rent for providing accommodation to students usually do not qualify for Low-Income Electricity Customer Programs. However, if students are to be considered for treatment as low-income customers, distributors with a huge student population in their service areas (with university campuses) will have innumerable low-income customers eligible for assistance and it will be impossible for the social service agencies or the utility to cater to the additional special requests from students. Further, if a student is considered eligible for low income programs and is permitted to enter in to an arrears management program, the student may complete the academic session (or semester) and leave their accommodation well before he/she could complete the arrears management program as the student would be allowed more than two defaults before disconnection.

Deferred Payment Date Option

The Section 2.6.3.1 specified in the attachment A, indicates that a low-income customer who is not on an 'equal billing plan' can request to defer the bill payment due date to the 5th day of the following month whereas the description provided in the 'Notice of Proposal' states that a low-income customer can request to defer the regular bill payment date to the 5th business day of the following month.

It is a possible that one distributor service area may have more low-income customers than other LDC service areas. The Board should recognize that allowing low-income customers who are not on 'equal billing plan' to defer their regular bill payment date to the 5th business day can negatively impact the cash flow for a distributor with a large number of low-income customers in its service area.

In addition, this proposal will also negatively impact the cash flow of the local water company for which electricity distributors carry out water billing.

Correction of Billing Errors

The EDA agrees with the Board that an extended repayment period is important for low-income customers who have been under-billed. However, the time period allowed under the Board approved July 2010 amendments (i.e., over a period at least equal to the duration of the billing error, up to a maximum of 2 years) is considered adequate for all customers, including low-income customers. Distributors believe extending this period beyond 2 years is too long a period to manage arrears in a reasonable manner.

Therefore, the EDA recommends that distributors be given the discretion to permit low-income customers more time for repayment in exceptional circumstances (where a large under-billing error was committed over a short period of time) rather than permitting all low-income customers in all circumstances to repay over an extended period.

Equal Billing Plan Option

The EDA understands the Board's concern that low-income customers without an account with a financial institution might not be able to access the recently adopted monthly equal payment plan.

Under the new proposal, an eligible low-income customer who currently receives a bill monthly or bi-monthly may request equalized monthly or bimonthly billing without having to agree for automatic payment withdrawals from a financial institution.

However, the 'Equalized Bi-monthly Billing' option would lead to the unintended consequence of increasing the amount of payment required from low-income customers during every billing period, which is bimonthly, as compared to the payment amount based on monthly billing because the period between payments increases from monthly to bimonthly. On the other hand, the equalized monthly payment option benefits the customer by smoothing out the payment stream. A bi-monthly one does not have the same effect, as the customer is hit with a larger payment every second month.

Therefore, we propose that low-income customers who currently receive a bill monthly or bi-monthly may be given the option to request for the 'Equal monthly payment plan', without having an arrangement for automatic withdrawals from a financial institution.

Disconnection for Non-Payment – Notice

The EDA notes that as new information (i.e. emergency financial assistance program availability, contact information of service agencies etc) is required to be added to the disconnection notice, additional time is needed to incorporate the changes. Requiring distributors to complete this activity and be ready by January 1, 2011 is difficult and unreasonable. This invariably would also result in additional expenses to order a new supply of notices as the

existing stock with changes reflecting the July 2010 Customer Service Rules would become wasted.

Distributors should be given adequate time after the Code changes are finalized, to be able to incorporate the required information on the disconnect notice (see “Implementation” section below).

Security Deposits

When LDC issues a bill for a security deposit, the proposed bill insert included with the bill advises that the security deposit requirement will be waived for a low-income customer, if the customer contacts the LDC and provides a confirmation of their low-income eligibility. Where a social services agency or a government agency notifies the LDC that it is undertaking an assessment of the customer, distributors will need to extend the due date for paying the security deposit by at least 21 days.

However, the security deposit should become payable immediately as soon as the agencies confirm that the customer is not identified as a low-income customer. There should be no need for LDC to wait until the 21 day period is complete to require security deposit payment. If necessary, the bill insert should advise customers accordingly.

Further, most distributors are seriously considering the option of waiving the security deposit requirement for all residential customers due to the onerous requirements of administering the security deposits such as applying them against arrears; re-collecting deposits over a number of bills; waiving deposits indefinitely depending on customer eligibility; or providing refunds when requested by low-income customers, etc. . In addition, distributors are finding that these administrative changes to deposits have caused deposits to provide considerably less protection against arrears than in the past.

Arrears Payment Agreements

Without a down payment as proposed in the draft codes, there is real commitment from low-income customers entering the arrears payment agreement. Therefore, we recommend collecting a small amount of down payment (for example, 5% to 10%) from the eligible low-income customer, at the discretion of the distributor who shall assess the down payment requirement on a case by case basis. Even a small down payment will mitigate the burden of the subsequent arrears payment agreement and reduce the risk of payment default. In addition, the requirement of a down payment would encourage customers to contact a social service agency earlier and well before the overdue amount gets totally beyond the level the agency can provide.

Social service agencies could help the low-income customers with the down payment requirement where necessary.

The period of arrears agreement should be the same as what is available for all residential customers (i.e., 5 and 10 months depending on the amount overdue). If this period is extended beyond 10 months, the probability of a customer not completing the arrears payment arrangement becomes high as previously incurred high bills are related to certain seasons in a year.

Further, rental customers can be fairly mobile/transient. Providing them with 10 or 20 months will often mean they have moved, perhaps out of the LDC service territory.

Therefore, the EDA recommends that distributors be given the discretion to permit low-income customers more time in exceptional circumstances (where a large amount becomes overdue) rather than permitting all low-income customers in all circumstances to complete the arrears agreement over an extended period.

Further, the EDA recommends that arrears agreement should be the same for all the residential customers including low-income customers in the manner provided in the July 2010 amendments.

Outstanding service charges specifically related to the collection, disconnection, non-payment or load control device must not be waived because it then removes the motivation for the customer to utilize those services optimally. For example, if the service charge for providing a connection (or any other service) during regular business hours and during off-hours are waived, the customer would become indifferent to the choices available and could choose the more expensive option of off-hours service even though would have been willing to receive service during regular business hours if they received the price signal provided to all other customers.

Distributors incur considerably more OM&A costs for providing disconnection/ reconnection and collection services compared to what is recovered through the permitted service charges. These associated service charges are designed to be nominal and the EDA believes waiving these charges altogether for low-income customers is not appropriate.

There is no need to permit one additional default for low-income customers in the arrears program as it would send the wrong signal. The amount owing would increase with the second default and later become a greater burden for those customers. Instead, distributors may be encouraged to use their discretion in such cases to permit one additional default for low-income customers depending on their specific situation.

Further, the draft proposal that each of the defaults (for different charges) must occur over two billing periods is inappropriate. For example, where an LDC bills its customers on a bi-monthly basis but has an arrears payment arrangement with low-income customers on monthly payment basis, the customer should be allowed to default for two payments and not two billing periods. Allowing defaulting over two billing periods in this case would amount to permitting the customer to default on 4 monthly payments. Therefore, the EDA proposes that each of the defaults (for different charges) must be permitted over two payments.

Amendments for Load Limiter Installation and Removal

If customers are served with a disconnection notice, distributors will proceed to disconnect customers after following the rules that are in force. It is our understanding that distributors will install a load limiter as a good gesture arrangement where necessary based on the specific situation of the customer instead of disconnecting supply completely. There should be no need to provide a separate notice once again, 7 days in advance, to install a load limiter. Distributors may indicate in their standard disconnection notice that a load limiter may be used but this should not be a requirement. Distributors will refrain from disconnecting or installing a load limiter for 21 days if they receive a notice from an agency assessing customer assistance.

Costs and Benefits

While we appreciate that some benefits may occur as a result of the proposed amendments, we do not anticipate that benefits will outweigh the costs. The incremental staffing resources required to manage and administer certain processes will put additional cost burden on distributors. Further, the automation of Customer Information Systems/ billing and process changes will require considerable expenditures to implement. This is particularly true when the system changes are being required on a piece meal basis for implementing several changes.

Therefore, the EDA recommends that a deferral account be established to allow distributors to record the incremental implementation costs incurred by distributors to reprogram their CIS systems to treat low-income customers as a separate subgroup within the residential class.

Implementation

Implementation of the proposed additional rules would only be possible after at least 6 months have passed from the time the amendments are promulgated by the OEB, as there is presently considerable uncertainty regarding the changes to CIS programming and other requirements required to implement the new low income requirements.