



June 29, 2011

NOTICE OF PROPOSAL TO AMEND A RULE
PROPOSED CUSTOMER SERVICE AMENDMENTS TO THE
GAS DISTRIBUTION ACCESS RULE
BOARD FILE NO: EB-2010-0280

To: All Natural Gas Distributors
All Participants in Consultation Processes EB-2010-0280, EB-2007-0722,
EB-2008-0313 and EB-2008-0150
All Other Interested Parties

The Ontario Energy Board (the "Board") is giving notice in accordance with the requirements of section 45 of the *Ontario Energy Board Act, 1998* (the "Act"), of its proposal to amend the Gas Distribution Access Rule (the "GDAR") made pursuant to section 44(1) of the Act.

I. Purpose of the Proposed Amendments

The purpose of the proposed rule amendments is to ensure that rate-regulated natural gas distributors ("gas distributors") maintain appropriate standards and practices for certain prescribed areas of customer service for their residential customers, and to ensure that they publish and comply with those standards and practices.

II. Background

By letter dated September 21, 2010, the Board notified stakeholders that it would be seeking their written comments on future proposed amendments to the GDAR. The proposed amendments would be in the form of new customer service rules for gas distributors. In the letter, the Board stated that the proposed amendments would provide greater protection and certainty for customers while giving gas distributors an appropriate measure of flexibility to allow them to account for operational considerations.

By letter dated January 20, 2011, the Board advised that it would conduct a two-step stakeholder consultation process prior to proposing the GDAR amendments. The objective of the consultation was to ensure that gas distributors' customer service-related standards are fair, transparent, and enforceable by the Board. The letter also framed two sets of general policy questions, regarding the process for the development of customer service rules for gas distributors, as follows:

- 1. Should the Board develop rules which prescribe specific customer service standards to be applied to all rate-regulated gas distributors? If so, should these standards be analogous to the electricity code provisions for customer service standards? What are the potential advantages and disadvantages of this prescriptive approach?*
- 2. Should the Board develop rules which require each rate-regulated gas distributor to develop, publish, and adhere to customer service standards for certain prescribed areas of customer service? If so, should the rules include the requirement that gas distributors develop complaint processes which include recourse to the Board in the event disputes are not resolved to the satisfaction of the parties? What are the potential advantages and disadvantages of this less prescriptive approach?*

In the first stage of the consultation process, the Board asked gas distributors to review the customer service rules for electricity distributors, to document their current policies and practices in the areas addressed by those rules, and to suggest new or modified policies appropriate for gas distributors. Attachment A to the Board's January 20, 2011 letter provided a template for the gas distributors' submission of this information. The Board also sought gas distributors' input on the two sets of policy questions. The responses provided by the gas distributors were posted on the OEB web site at www.ontarioenergyboard.ca.

In the second stage of the consultation process, the other stakeholders were given the opportunity to provide comments on the filings made by the gas distributors and the two sets of policy questions. The stakeholders' comments were also subsequently posted on the OEB web site.

Comments Received from Gas Distributors

Comments were received from Enbridge Gas Distribution, Union Gas and Kitchener Utilities (referred to respectively as “Enbridge”, “Union” and “Kitchener” and, collectively, as the “Responding Distributors”).

A central theme through each of the Responding Distributor’s comments was that their current customer service policies already function effectively. However, while the Responding Distributors generally opposed the creation of prescriptive customer service standards, they did recognize the value of the Board’s consultation process in ensuring that there is ongoing consideration, evaluation and refinement of their existing customer service policies and approaches.

The Responding Distributors proposed modifications to their existing practices and policies and to make them consistent with those established by the Board for electricity distributors in a number of specific areas, including bill issuance and payment, correction of billing errors, equal payment and equal billing plans, and disconnection notices, procedures and suspension of disconnection action. In other areas, the Responding Distributors maintained that there were certain aspects of their established practices that would be difficult to change. Among these for Enbridge and Kitchener is their practice of allocating payment first to non-gas charges and to the oldest arrears. Union, too, has operational aspects which are unique; for example, it does not provide a joint billing service and all charges on its invoices are related only to gas consumption.

The Responding Distributors also proposed modifications to their current practices around security deposits. Union submitted that it is prepared to accept instalment payments over up to six months and to change security deposit requirements to two months of average bills or \$250 in the absence of historical consumption. Enbridge proposed to consider a six month payment period for new customers; review and refund at 12 months; and to refrain from issuing a disconnection notice unless the net amount owing, less the security deposit, was over a threshold amount. The Responding Distributors continue to want to manage security deposits to ensure payments and to cover outstanding arrears when the customer’s account is closed, rather than, for example, applying the security deposits to arrears to avoid disconnection. The arrears management programs of the Responding Distributors generally do not mirror those of the electricity distributors. This is in part due to the Responding Distributors’ reliance on individually negotiated terms of payment. That said, the Responding Distributors did

make certain commitments to refine their existing processes in order to meet the spirit of the electricity sector rules. For example, Enbridge and Union submitted that they would be willing to consider a system change to provide 10 days written notice before cancellation of an agreement.

The electricity sector rules restrict electricity distributors from recovering charges from any person who has not agreed in writing to become a customer and allow electricity distributors to enter into an agreement where the landlord agrees to assume responsibility for continued service after the closure of a tenant's account. This practice is not mirrored among the Responding Distributors, where customers could still be at risk of being billed for charges accrued by other customers who may have been previously associated with a particular property. The Responding Distributors have indicated a willingness to make modifications to this aspect of their policies; for example, Enbridge would consider entering into landlord agreements. Union currently maintains "landlord notes" directing account management for vacancies.

Each of the Responding Distributors expressed concern over the potential costs in adopting rules prescribing specific customer service standards to be applied equally by all gas distributors. Enbridge provided the following estimate of the costs it would incur if required to adopt prescriptive rules akin to the electricity customer service rules:

- One-time costs in the range of \$2.5 to \$5M for system changes, updates to training and process documentation and actual training of staff;
- Ongoing costs in the range of \$2.5 to \$3.5M/year for new account management and security deposit processes for all customers; and
- Ongoing costs of \$9.5 to \$14.5M/year in increased bad debt and working capital costs and reduced late payment penalty revenue.

In contrast, Enbridge provided the following cost estimates associated with implementing the refinements to its existing customer service policies that it committed to in its filing:

- One-time costs in the range of \$1.5M to \$2M for system changes and new training; and
- Ongoing costs of \$1M to \$1.5M/year for additional staffing and increased bad debt/working capital costs (and decreased late payment penalty revenue).

Finally, with respect to the two sets of policy questions raised by the Board, the Responding Distributors were fairly unanimous in requesting a GDAR rule amendment that does not compel gas distributors to live by the exact same set of specific customer service standards as the electricity distributors. Each of the Responding Distributors submitted that they value, and that it is reasonable that they be given, flexibility in providing customer service. Overall, the Responding Distributors did not see any material value in the Board establishing a strict symmetry between the rules in the gas sector and the electricity sector and felt there would not be any positive net benefits for ratepayers in doing so.

Comments Received from Other Stakeholders

During the second stage of the consultation process, the Board received written comments from Canadian Manufacturers & Exporters (CME), Direct Energy (DE), Federation of Rental-Housing Providers of Ontario (FRPO), London Property Management Association (LPMA) and Low-Income Energy Network (LIEN). These stakeholders provided comments on the submissions made by the Responding Distributors, as well as the two sets of policy questions.

Stakeholders expressed an overall satisfaction with the functioning and flexibility of current customer service policies and practices of gas distributors. With a view to the cost consequences for ratepayers, stakeholders also voiced their concern that changes to the natural gas customer service rules should not be required solely for the purpose of alignment with the rules for the electricity sector. Specifically, stakeholders were concerned about potential cost increases relating to gas distributors' amounts of bad debt and working capital being passed on to ratepayers. DE supported the current practice of first applying payments to the oldest outstanding receivable, asserting that any change would increase bad debt exposure, with costs to be borne by ratepayers. DE also cited the minimum of \$5.4M benefit now presently accruing to Enbridge ratepayers on an annual basis as per their billing agreement. CME and FRPO called for transparency in service standards for all customer classes and objected to any changes shifting accountability for charges from the tenant to the landlord, or responsibility for arrears management from the gas distributor to the landlord.

With regard to the two sets of policy questions, the five stakeholder comments generally mirrored those of the Responding Distributors. LIEN saw a role for a balance of Board-required customer service standards and gas distributor policies and guidelines.

Stakeholders commented that gas distributors should be given some flexibility in modifying their existing customer services and practices as this generally represented the best value for customers. To this point, CME specifically stated that the imposition of rules prescribing prescriptive customer service standards to be rigidly applied by all gas distributors would have negative cost consequences for customers.

Stakeholders did value recourse to the Board to resolve disputes, as did the Responding Distributors, albeit in a more limited way. In particular, stakeholders cited the need for fair and transparent customer service policies and practices.

III. Proposed Customer Service-Related Amendments to the GDAR

The Board finds merit in the positions of the Responding Distributors and other interested stakeholders with respect to maintaining some flexibility over gas distributor customer service standards and practices at this time. The Board believes that adopting a less prescriptive approach will limit the cost implications for ratepayers while nonetheless ensuring that gas distributor customer service standards and practices are transparent and ultimately enforceable by the Board.

The Board notes that the Responding Distributors have proposed to modify their existing standards and practices in pursuit of improved customer service. The Board's proposed adoption of a less prescriptive approach is predicated on the Responding Distributors, and other rate-regulated natural gas distributors, amending their respective standards and practices accordingly. The Board expects that gas distributors' customer service standards and practices will be fair and reasonable. In addition, given the small number of gas distributors in the Province the Board also anticipates that a reasonable level of consistency will be achieved across the Province in terms of customer service standards and practices even under a less prescriptive approach. Among other things, the Board notes that such consistency will facilitate enforcement of customer standards and practices.

Having considered the comments of the Responding Distributors and other interested stakeholders, the Board is therefore proposing to adopt a less prescriptive approach. Specifically, the Board is proposing to amend the GDAR by adding a rule requiring each rate-regulated gas distributor to develop a "Customer Service Policy" for its residential customers. The Customer Service Policy shall document the customer service-related

standards and practices of the gas distributor and shall address, at a minimum, each of the following areas:

- a) **Bill issuance and payment.** This section should describe, at a minimum, the gas distributor's standards and practices relating to the timing of bill due dates, procedures for paying bills, and late payment policies.
- b) **Allocation of payments between gas and non-gas charges.** This section should explain, at a minimum, how a customer's payments are apportioned between the different line items on a bill.
- c) **Correction of billing errors.** This section should describe, at a minimum, how the gas distributor resolves billing errors and disputes.
- d) **Equal payment and equal billing plans.** This section should describe, at a minimum, the various types of payment plans that are offered by the gas distributor.
- e) **Disconnection for non-payment.** This section should set out, at a minimum, the gas distributor's practice of disconnecting customers as a consequence for non-payment, the manner in which the disconnection is carried out, how customers will be given prior notice and the options available to customers to avoid disconnection.
- f) **Security deposits.** This section should set out how security deposits are, at a minimum, calculated, held, processed and returned by the gas distributor.
- g) **Arrears management programs.** This section should explain, at a minimum, what options are available to customers to mitigate their repayment of significant arrears.
- h) **Management of customer accounts.** This section should set out how the gas distributor protects customers (and landlords) accounts including from, at a minimum, fraud and inappropriate charges owing to misunderstandings.

The proposed amendments to the GDAR would also require a gas distributor to comply with its Customer Service Policy, to post it on its web site, and to provide a copy to anyone requesting it. The Customer Service Policy shall include a description of the gas distributor's dispute resolution process. The proposed amendments to the GDAR also include the process by which revisions to a gas distributor's Customer Service Policy may be made.

The Board believes that its approach will achieve the objectives of fairness and transparency and will ensure that gas distributor customer service-related standards and practices are enforceable by the Board.

The proposed amendments to the GDAR are set out in Attachment A.

IV. Anticipated Costs and Benefits of Revised Proposed Amendments

The Board believes that its proposed approach will result in customer service standards and practices that will provide greater protection and certainty for customers while giving gas distributors a sufficient and appropriate measure of flexibility to allow them to account for operational considerations. The Board anticipates that gas distributors will incur costs in modifying their customer service-related standards and practices. However, the Board believes that the benefits of enhanced customer service will outweigh those costs. The Board also notes that the cost implications for gas distributors under the Board's proposed approach are significantly less than would likely be the case under a more prescriptive approach.

V. Coming Into Force

The Board proposes August 31, 2011 as the coming into force date for the customer service amendments to the GDAR. As of that date, each rate-regulated gas distributor must have a compliant Customer Service Policy posted on its website and must conduct its business in accordance with that Customer Service Policy.

VI. Cost Awards

Cost awards will be available under section 30 of the Act to eligible persons as specified in the Board's October 28, 2010 Decision on Cost Eligibility in relation to providing comments on the proposed amendments set out in Attachment A, to a maximum of **5** hours in total. Costs awarded will be recovered from all rate-regulated gas distributors based on their respective distribution revenues.

VII. Invitation to Comment

All interested parties are invited to comment on the proposed amendments to the GDAR set out in Attachment A by **July 15, 2011**.

Two (2) paper copies of each filing must be provided, and should be sent to:

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

The Board requests that interested parties make every effort to provide electronic copies of their filings in searchable/unrestricted Adobe Acrobat (PDF) format, and to submit their filings through the Board's web portal at www.errr.ontarioenergyboard.ca. A user ID is required to submit documents through the Board's web portal. If you do not have a user ID, please visit the "e-filings services" webpage on the Board's website at www.ontarioenergyboard.ca, and fill out a user ID password request. Additionally, interested parties are requested to follow the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the e-filing services webpage. If the Board's web portal is not available, electronic copies of filings may be filed by e-mail at boardsec@ontarioenergyboard.ca.

Those that do not have internet access should provide a CD containing their filing in PDF format.

Filings to the Board must be received by the Board Secretary by **4:45 p.m.** on the required date. They must quote file number **EB-2010-0280** and include your name, address, telephone number and, where available, your e-mail address and fax number.

This Notice, the proposed amendments to the GDAR attached to this Notice, and all written comments received by the Board will be available for public inspection at the office of the Board during normal business hours and on the Board's website at www.ontarioenergyboard.ca.

If the written comment is from a private citizen (i.e., not a lawyer representing a client, not a consultant representing a client or organization, not an individual in an organization that represents the interests of consumers or other groups, and not an

individual from a regulated entity), before making the written comment available for viewing at the Board's offices or placing the written comment on the Board's website, the Board will remove any personal (i.e., not business) contact information from the written comment (i.e., the address, fax number, phone number, and e-mail address of the individual). However, the name of the individual and the content of the written comment will be available for viewing at the Board's offices and will be placed on the Board's website.

Any questions relating to this Notice and the proposed amendments to the GDAR should be directed to Beverley Jaffray at 416-440-8101 or by e-mail at Beverley.Jaffray@ontarioenergyboard.ca.

The Board's toll free number is 1-888-632-6273.

DATED at Toronto, June 29, 2011

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Attachment: Attachment A: Proposed Amendments to the Gas Distribution
Access Rule: Customer Service Standards

Attachment A

Proposed Amendments to the Gas Distribution Access Rule: Customer Service Standards

Note: The text of the proposed amendments is set out in italics below, for ease of identification only.

1. Section 1.2.1 of the Gas Distribution Access Rule is amended by adding the following definition immediately after the definition of “consumer”:

“Customer Service Policy” means the document developed by a rate-regulated gas distributor in accordance with section 8 of this Rule that describes the customer service-related standards and practices applicable to its residential customers;

2. Section 1.4 of the Gas Distribution Access Rule is amended by adding the following immediately after section 1.4.5:

1.4.6 Section 8 of this Rule, together with the amendment to section 1.2.1 to include the definition of “Customer Service Policy”, shall come into force on August 31, 2011.

3. The Gas Distribution Access Rule is amended by adding the following new section immediately after section 7.

8 Customer Service Standards and Practices Applicable to Residential Customers

8.1 General

8.1.1 A rate-regulated gas distributor shall document its customer service-related standards and practices applicable to residential customers in a Customer Service Policy.

8.1.2 A Customer Service Policy shall, at a minimum, include a description of the rate-regulated gas distributor’s standards and practices for each of the following customer service-related areas:

- (a) bill issuance and payment;*
- (b) allocation of payments between gas and non-gas charges;*
- (c) correction of billing errors;*
- (d) equal payment and equal billing plans;*
- (e) disconnection for non-payment;*
- (f) security deposits;*
- (g) arrears management programs; and*
- (h) management of customer accounts.*

8.2 Policy to Be Published

- 8.2.1 *A rate-regulated gas distributor shall file a copy of its Customer Service Policy with the Board, make a copy publicly available for viewing at its head office and on its web site, and provide a copy to each person that requests it.*
- 8.2.2 *A rate-regulated gas distributor shall, promptly after the coming into force date of this section, notify its residential customers that it has filed a new or amended Customer Service Policy with the Board and shall provide direction as to where a copy may be viewed and how a copy may be obtained.*

8.3 Compliance

- 8.3.1 *Subject to this Rule and other applicable laws, a rate-regulated gas distributor shall comply with its Customer Service Policy but may waive any provision therein in favour of a customer or potential customer.*
- 8.3.2 *Commencing in 2013, a rate-regulated gas distributor shall provide, in the form and manner required by the Board, annually by April 30 for the prior calendar year, a statement certifying its compliance with its Customer Service Policy.*
- 8.3.3 *A rate-regulated gas distributor shall maintain a compliance monitoring program that enables it to monitor its compliance with its Customer Service Policy and to identify any need for remedial action. A rate-regulated gas distributor shall maintain updated records in a form and manner so as to be able to substantiate its self-certification.*
- 8.3.4 *Each statement certifying a rate-regulated gas distributor's compliance with its Customer Service Policy shall be signed by the gas distributor's Chief Executive Officer, Chief Operating Officer, President or person of equivalent position.*
- 8.3.5 *A rate-regulated gas distributor shall provide its initial self-certification statement to the Board by April 30, 2013.*

8.4 Dispute Resolution

- 8.4.1 *A Customer Service Policy shall describe the gas distributor's process for resolving customer complaints.*
- 8.4.2 *If a gas distributor cannot resolve a complaint to the satisfaction of the complainant, the gas distributor shall provide to the complainant contact information for the Ontario Energy Board's Consumer Relations Centre.*

8.5 Revisions to a Customer Service Policy

- 8.5.1 *A gas distributor shall provide advance public notice of any revisions to its Customer Service Policy. Notice shall be, at a minimum, provided to each customer by means of a note on or included with the customer's bill. The notice shall include the timeline for implementation of the revisions to the Customer Service Policy.*
- 8.5.2 *A gas distributor shall provide the Board with a copy of its revised Customer Service Policy. The revised Customer Service Policy shall be accompanied by a cover letter that indicates the revisions made and their implementation date.*