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**BY E-MAIL**

June 30, 2011

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

Dear Ms. Walli:

Re: **Board Staff Submission**  
**Application for Licence Amendment EB-2011-0021**  
**Hydro One Remote Communities Inc.**

Please find enclosed Board Staff's submission for the above mentioned proceeding.

Please forward the submission along with this cover letter to the applicant and intervenor in this proceeding.

Yours truly,

*Original Signed By*

Irina Kuznetsova  
Case Manager

Attachments



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

**Application for Licence Amendment  
Hydro One Remote Communities Inc.**

**Board File Number EB-2011-0021**

June 30, 2011

## **1. INTRODUCTION**

On December 23, 2010, Hydro One Remote Communities Inc. (“Remotes”) filed an application with the Ontario Energy Board (the “Board”) for a licence amendment under section 74 of the *Ontario Energy Board Act, 1998* (the “Act”) to reflect an exemption from certain sections of the Distribution System Code (the “DSC”).

On March 1, 2011 Remotes filed an updated application seeking exemptions from additional sections of the DSC as amended on July 2, 2010.

The Board issued a Notice of Application and Written Hearing on March 21, 2011. The Board received a request for intervention and cost eligibility from Nishnawbe Aski Nation (“NAN”). The Board granted NAN’s intervention and cost eligibility request.

On April 21, 2011 the Board issued Procedural Order No. 1, setting out an interrogatory process to provide the Board with additional information that is relevant for its consideration of the application. Board staff and NAN filed interrogatories and on May 26, 2011 Remotes replied to all interrogatories.

On June 8, 2011 counsel for NAN filed a letter outlining concerns with respect to the adequacy of Remotes’ responses to NAN’s interrogatories and seeking additional time to file its submission. On June 9, 2011 the Board issued Procedural Order No. 2, granting the request.

On June 24, 2011 Remotes filed supplementary information to its answers to certain interrogatories identified by NAN.

The purpose of this document is to provide the Board with the submissions of Board staff after its review of the evidence filed in this proceeding.

## **2. THE APPLICATION**

In its application Remotes requested an amendment to its electricity distribution licence to reflect exemptions from the following sections of the DSC:

- Section 2.7.1.2 – requires that a customer pays a down payment of up to 15% of the electricity charge arrears accumulated when entering into an arrears management program;
- Section 2.7.2 - specifies the periods over which the distributor shall allow a residential electricity customer to pay all remaining electricity charges;
- Section 2.8.1 - sets out requirements regarding opening and closing of accounts at the request of a third party and timelines for confirmation from the intended customer;
- Section 2.8.2 - sets out requirements regarding recovery of charges for service provided to a property at the request of a third party;
- Section 4.2.2.3 - sets out the expiry period for a disconnection notice issued for non-payment;
- Section 4.2.3.1 - sets out timelines for deemed receipt of a disconnection notice when sent by mail;
- Section 6.1.2.1 – requires a distributor to only recover or seek to recover charges from a person that has agreed to be a customer of the distributor;
- Section 6.1.2.2 – allows the agreement with a customer to be in electronic form and includes telephone communication; and
- Section 7.10 - requires a distributor to reconnect a property that has been disconnected for non-payment within two business days of the date on which the customer makes full payment or enters into an arrears payment agreement with the distributor.

In its application Remotes also requested that the Board consider exempting Remotes from the DSC generally due to the uniqueness of its service territory, business and customers.

### **3. BACKGROUND**

Remotes is licenced to distribute electricity within 21 communities in Northern Ontario. In total Remotes serves approximately 3,500 residential, small commercial, government and seasonal customers. The application indicates that most of Remotes' customers

are economically disadvantaged and are low income. Due to location, isolation and distances between communities the cost to serve Remotes' customers is high. To reduce costs, Remotes bundles trips related to collections, disconnections and reconnections with other work related trips. Remotes' collections practices have been refined through many years of discussions with local Band Councils and social service offices in the communities it serves in order to reduce customer disconnections and to manage arrears.

#### **4. BOARD STAFF'S SUBMISSION**

Board staff submits that the unique characteristics of Remotes' service area and its customers warrant different disconnection and reconnection, opening and closing of accounts and payment arrangements policies and procedures from those of other distributors. Remotes, in its application and responses to Board staff's and NAN's interrogatories demonstrated that compliance with sections of the DSC from which the relief is sought would limit its ability to address local needs, significantly increase costs and negatively impact Remotes' established relationship with local Band Councils and the communities it serves. Having reviewed the application and evidence, Board staff has no issue with Remotes' request for exemption from the specific sections of the DSC mentioned above.

However, Board staff does not support Remotes' request to be exempted from the DSC generally.

In its application Remotes states: *"Given the nature of Remote's business, the increasing requirement that the Board standardize customer service rules across the province, Remotes suggests that the continued stringent application of the Distribution System Code to Remotes' service territory is inappropriate and requests that the Board consider exempting Remotes from the DSC."* Further, in its reply to NAN's interrogatory # 12 Remotes confirmed that it is requesting to be exempted from the DSC in its entirety and only include it where appropriate.

The DSC sets the minimum conditions that an electricity distributor must meet in carrying out its obligations to distribute electricity under its licence and the *Electricity Act, 1998*. All licensed electricity distributors in the province must comply with the

provisions of the DSC as a condition of their licence. The DSC has been developed according to specific statutory provisions and safeguards considering a wide range of interests through a highly transparent consultation process. The Board grants exemptions to its Codes only on the basis that there is no harm to the public interest in doing so on a case by case basis. The burden of proof rests with the party making the exemption requests. In Board staff's view Remotes has not demonstrated sufficient reasons why it should be exempt from the DSC in its entirety. In its reply to NAN's interrogatory # 11 Remotes confirmed that, with exception of the DSC sections for which exemption is sought in this application, Remotes is compliant with all other sections of Part 2 of the DSC ("Standards of Business Practice and Conduct").

Although there may be a certain degree of regulatory efficiency in excluding Remotes from the DSC given the uniqueness of Remotes' customer base and territory, in Board staff's view, the Board should ensure that all exemptions are operating in the public interest and the risk of the harm to customers is minimal. This can only be achieved through a thorough analysis of the particular circumstances that might impede a distributor's compliance with the DSC in any given case. In the present case, Remotes has not provided sufficient reasons or any evidence supporting an exemption from the DSC in its entirety.

Accordingly, in Board staff's view, Remotes' request to be exempted from the DSC generally should be denied and should be limited to the specific sections referenced above.

All of which is respectfully submitted