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Ontario Energy Board
Suite 2700
2300 Yonge Street
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ATT: Kirsten Walli, Secretary

April 17, 2008.

Dear Ms. Walli,

**Re: Staff Discussion Paper on Electricity Distributors: Customer Service, Rate Classification and Non-payment Risk
Board File No.: EB-2007-0722**

In accordance with the OEB's e-mail and web posting of March 6, 2008, ECMI submits its comments on the Staff Discussion Paper on Electricity Distributors: Customer Service, Rate Classification and Non-payment Risk.

Two paper copies are enclosed. An electronic copy in Adobe Acrobat has been sent this date to boardsec@oeb.gov.on.ca.

Requested contact details are as follows:-

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Respectfully submitted for the Board's consideration,

Original signed by R. White

Roger White
President

**ECMI comments on
Staff Discussion Paper on Electricity Distributors: Customer Service, Rate
Classification and Non-payment Risk.
Board File No.: EB-2007-0722**

ECMI's comments are limited to a few of the questions in the discussion paper.

With the unbundling of rates, the Board eliminated the declining block structure which recognised the economies of scale in the delivery of energy. This fundamental shift can be accepted in part on the basis of a possible intent to encourage efficient use of the commodity. Further, the decision to continue with the post unbundling classification system has meant that the fundamental problems relating to the evaluation and classification of customers summarised on Page 41 of the discussion paper continue to the present day.

Demand pricing attempts to recognise that capacity is installed to meet the peak demand on the system. Time of Use distribution pricing can accomplish the same pricing goal as a demand charge in that when the system has the highest demands on it, Time of Use charges the highest price for the commodity delivery which is consistent with cost causality as incurred by the distributor.

Further, the cost to deliver a kW.h at peak demand on the distribution system is the same regardless of which class of customer is using that capacity. Because Time of Use distribution pricing replaces demand, many of the issues in Part 2 of the Discussion Paper fall away if Time of Use pricing were applied to using the same delivery charges to all customers of the distributor.

In ECMI's view, Time of Use distribution pricing would in the customer's eyes be consistent with the amount of energy used and also the period of time in which that energy is used. Time of Use distribution pricing also ties the cost of generation transmission and distribution more closely to actual costs and each other in the eyes of the customer.

ECMI summarized the merits of Time of Use distribution pricing in its May 17, 2007 submission on the Board staff Discussion Paper "Rate Design for Electricity: Overview and Scoping", dated March 30, 2007.

The notion that a complex customer class system is warranted or required is not accepted by ECMI. Classes may have been a necessary evil when knowledge on individual customer's use pattern was not available. For example, under a single price structure, general service would be treated like residential customers.

With Time of Use rates there is little or no need for an inverted commodity price structure as Time of Use rates would more equitably do the job. With Time of Use capacity use information for both residential and general service customers, there is no need to price distribution system costs differently for these customers as Time of Use of the capacity use would be a much more cost effective and clearer signal to all customers.

Time differentiated variable rates for distribution system use can be set to encourage efficient use of the distribution system and complement efficient use of the generation and transmission systems.

Time differentiating variable costs can provide a direct linkage to distribution system cost causality.

Definition of Demand

The Board has failed to deal with rate class transition issues. If the Board had dealt with these issues effectively they would not persist. With respect to the discussion on the definition of demand Board staff is talking about who is subsidizing whom. If an LDC has a seasonal customer who operates two month a year and that customer is classified based on demand then it is not possible for the LDC to recover the cost of supply over a 12 month period using a standard rate tariff. This suggests that one Non-Coincident Peak (1NCP) is the driver of the LDCs costs to supply that customers and that 1NCP should be used to determine billing demand. Board staff goes part way to recognize 1NCP on Page 44 of the discussion paper; "In theory, that peak is the demand that the system was designed to supply and represents the costs imposed on the system by that consumer." This statement would be corrected by the deletion of the words "In theory." If the Board is unwilling to examine individual situations in a timely fashion and at reasonable cost, then customer complaints will continue. The Board should return to its cost causality principles as the only fair way to deal with customer classification on the basis of cost causality and price stability. Time of Use rates leverage the distribution charges based on the use of time of use but distributors would have to rely on the Distribution System Code analysis for the initial capital contribution required for large customers with unusual load shapes.

Existing classification boundary issues

If the current pricing approach remains then uniform treatment of customer classifications by distributors will not eliminate the issue of boundaries between classes as customers' use patterns change over time and the issues around the 50kW and 3000kW boundaries arise from a step change in distribution system cost recovery (rates) not from the question of customer classification.

Management of customer non-payment risk

In ECMI's view, it is essential that the issue of non-payment risk is addressed. For companies operating under bankruptcy protection, billing provisions that permit accelerated payment such as daily payment or even prepayment may be necessary to permit the ongoing supply to that customer to reduce risks to distributors and their customers. These companies often cannot obtain bank credit and may be unable to meet the normal payment terms for the supply of electricity in any case. Billing provisions that allow continued supply may help such a company to survive. Absent such provisions, such companies may be forced into insolvency in which case the LDC loses by the loss of a customer or bad debt or both.