PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC
ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7
Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. http://www.piac.ca

Michael Buonaguro
Counsel for VECC
(416) 767-1666

April 18, 2008

VIA EMAIL and COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Electricity Distributors: Customer Service, Rate Classification and Non-Payment Risk EB-2007-0772

Please find enclosed VECC's comments with respect to the above noted proceeding.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

VECC Comments on Discussion Paper Electricity Distributors: Customer Service, Rate Classification and Non-Payment Risk

General Comments

VECC notes that the Board has adopted a standard set of Specific Service Charges for all distributors that are to be used subject to specific exceptions being justified on a case-specific basis. The approved charges will be reviewed in a separate process.

VECC understands that the reasons for this SSC standardization included, *inter alia*, a desire to ensure equal and fair treatment of customers as between distributors and secondly, to address the disparate descriptions of services and related costs.

VECC suggests that a similar situation prevails for customer service conditions; the Paper summarizes this at page 4:

"The current approach allows a relatively large measure of discretion to distributors to address local needs. As noted above, however, this approach has resulted in considerable variation in policies and procedures amongst distributors, and appears in at least some cases to provide insufficient guidance to distributors in relation to the development of compliant policies and procedures."

The Paper sets out the most practical solution –standardized prescriptive minimum requirements with allowance for exceptions and flexibility where needed.

"In general, comprehensive and prescriptive rules would allow for a standard level of service to customers, regardless of which distributor serves the customer, and provide distributors with clear direction as to the Board's expectations for the provision of service. However, there may be unique characteristics of the distributor's service area and/or customers that warrant policies and procedures that are different from those of other distributors. The "one-size-fits-all" approach would limit or eliminate the ability to address local needs, and this may negatively affect some customers."

The last sentence is particularly important to vulnerable energy consumers, i.e. flexibility to deal with the unique circumstances of customers, not just as between distributors but also within a distributor's customer base, particularly in respect of payment default leading to service disconnection.

Specific Comments On Issues

Bill Payment

As noted, the main issues are how to establish the Due Date and recording of the date upon which payment has been rendered (see below with respect to VECC position on partial payment).

VECC agrees with Board Staff that standard rules for customers on monthly or bimonthly payment schedules regardless of location should be established. These rules should specify how the payment due date is to be set and how the payment recognition date is to be recorded.
In setting this schedule it is important that utilities have the ability to take into account the schedule for payments for Social Assistance and other financial support (GAINS etc).

The related Issue of late payment charges is also critical. The paper notes the following from a distributor's perspective:

"In establishing the appropriate time period before the application of a late payment charge (i.e. the setting of the due date), consideration must be given to balancing the need of a customer to have sufficient time to arrange payment, and the need of the distributor for an adequate cash flow, having regard to the timely recovery of costs for services that have already been rendered, as well as the distributor's obligation to make monthly payments to the Independent Electricity System Operator ("IESO") to cover the commodity cost of electricity consumed by all of its customers, other than customers that are wholesale market participants. The longer the payment period provided to customers, the more acute the problem of cash flow can become for the distributor, which in turn affects working capital."

VECC disagrees with this discussion and the premises that are included. With the exception of Hydro One, Toronto Hydro, and Hydro Ottawa (to VECC's knowledge) all distributors are provided with a Working Capital Allowance in Ratebase based on 15% of the Operating Costs and the Cost of Power. This allowance has been demonstrated to be too high in the Lead lag studies performed for Hydro One and Toronto Hydro. Accordingly either the Working Capital Allowance should be reduced to a default about 12% and/or the fact of arguably excessive working capital allowances should be taken into account when considering late payment policy and rules.

VECC agrees that clear rules are required because of the cost consequences of late payment charges, particularly for vulnerable consumers; -Page 7:

"A customer needs to know when a payment is deemed to have been made so that the customer can make informed decisions about when to submit the payment, depending on the form of payment used. This is important to avoid the application of late payment charges, other collection action by the distributor or disconnection that might arise if the distributor considers the customer's payment to have been made after the due date."

Response to Board staff Questions

Q1. Are there any reasons why a customer would need or should be allowed more than a sixteen day payment period before application of a late payment charge?

VECC notes that the Paper cites the Industry standard as 16 days but the evidence from the majority of jurisdictions cited is more indicative of 21 days.

Q2. If a distributor were to provide a payment period longer than sixteen days, how would this affect the distributor's cash flow?

Presumably distributors will provide some evidence as to the effect and relative materiality of extending standard payment beyond 16 days.

As noted above, (most) distributors are provided with a generous 15% Working Capital allowance, which VECC presumes is sufficient to accommodate a 21 day payment schedule VECC supports a 21 day schedule However, if 16 days is determined to be the minimum payment period, then VECC submits that this should be reflected in the generally applied working capital allowance of distributors to bring them in line with the Hydro One and Toronto Hydro lead lag studies.

Q3. Where bills are "delivered" electronically, either by e-mail or by allowing customers to access bills on the internet, how should the date that the bill is deemed to have been sent be determined?

Electronic "delivery" of bills is, in a practical sense, instantaneous, with the real issue being the date of receipt. Invoices sent by E-mail are often sent late at night, and some customers may not receive their email on non-business days. Accordingly VECC would suggest that electronic bills should be considered received one business day after they are delivered.

Q4. What processes do distributors currently have in place to determine or verify whether payment was received by the billing due date, particularly where payment is made by electronic means (telephone or internet banking)?

There should be EBT Rules in place just as there are for the gas utilities.

Q5. In addition to payment by mail, at a financial institution, or by electronic means (telephone or internet banking), are there any other methods of payment that distributors accept? If so, how do distributors determine or verify whether payment was received by the billing due date?

This is clearly a question directed at distributors; however VECC would expect that debit or credit transactions under various scenarios are options employed by some distributors.

Other Comments

VECC suggests that customers on a distributor's equal billing and/or automatic withdrawal payment plans should have a longer grace period before LPP charges are incurred in the event of default. This would offset the fact that given reasonable payment history the distributor normally gets payment in a period much less than the maximum for incurring late payment charges, i.e. there should be some offset of the benefits to the utility of equal billing/automatic withdrawal against the occasional delay in receiving payment.

Allocation of payments

As noted on page 11, an issue may arise when a customer has submitted only a partial payment. In some cases, the customer may submit a partial payment because it is disputing the non-energy charges, and may have notified the distributor of the dispute. In other cases, the distributor may not know the reason for the partial payment.

When partial payments are received, some distributors allocate payments received first to energy charges, and any remaining amounts are allocated to non-energy charges.

Others allocate pro-rata.

VECC notes that the Boards jurisdiction is limited to recovery of energy charges and action against the customer by the distributor should be limited to energy charges (as defined in the paper).

VECC fully agrees with the following observation at page 12

"At the Stakeholder Meeting, one retailer suggested that, for the purposes of assessing whether a customer is in arrears consistent with section 10.5 of the RSC and the industry arrangement, the distributor should consider only energy charges. If the customer was in arrears only for non-energy charges, the retailer

suggested that this should not be a reason for the distributor to reject the customer's enrollment with the retailer".

For these reasons, VECC suggests that the only viable option of the three set out on page 13 is Option 1:

(1) Distributors could (should) be required to always allocate payments first to energy charges. Staff notes that such an approach may help to ensure that distributors do not process payments in a manner that would lead to action that is inconsistent with section 31(1) of the *Electricity Act, 1998* (in other words, to ensure that customers are only disconnected for non-payment of energy charges). Any amounts remaining once the energy charges have been accounted for can then be applied to non-energy charges. Staff also believes that this method of allocation would help ensure that retailer enrollment requests are rejected only where there are amounts owing for energy charges.

Q6. Are there any technical limitations (e.g. billing systems) that would limit a distributor's ability to allocate payments towards energy charges first and non-energy charges second?

Distributor response

Q7. If there are technical limitations, what options are available to a distributor to ensure that a customer's payment is applied to energy charges first?

Distributor response

Q8. If distributors were given discretion as to how payments are allocated, do distributors need guidance from the Board as to how payments should be processed to ensure that it is not done in a manner that would lead to action that is inconsistent with section 31(1) of the Electricity Act, 1998 (in other words, to ensure that customers are only disconnected for non-payment of energy charges)?

Distributors should not be given such discretion. The extraordinary measures available to a distributor as a result of non-payment of energy charges should not be made available as a result of a distributors discretion to allocate money received to a non-energy charge in favour of an energy charge.

Q9. What are the implications of distributors being required to allocate payments in accordance with customer requests?

This is an unnecessary complication. Discussions with the customer following partial payment, assuming there are non-utility charges on the

bill, could consider the customers' preferences. The default allocation should be towards energy charges first.

Correction of Billing Errors

In the case of **over-billing**, staff (page 15) puts forward the following options for consideration:

(1) Distributors could be required to refund amounts owing as a credit to a customer's account, regardless of the amount owing;

(2) Distributors could be required to refund amounts owing in the form of a cheque, regardless of the amounts owing; or,

(3) Distributors could be required to refund amounts previously over-billed as a credit on the customer's account only where the amounts owing to the customer are less than a certain amount, for example only where the credit could offset charges that would reasonably be expected to be incurred within the next 2 billing periods. If the amounts previously over-billed exceeded that threshold, then the distributor would be required to provide the refund in full in the form of a cheque.

Consistent with section 7.7 of the RSC, the distributor should be required to pay interest on amounts over-billed, regardless of how over-billed amounts are returned to the customer.

In the case of **under-billing**, staff puts forward the following options for consideration:

(1) Distributors could be required to allow customers to pay back the amount owing for previously under-billed amounts in equal installments over the same duration as the billing error;

(2) Distributors could be permitted to require payment from the customer in full, on the customer's next regular bill; or,

(3) Distributors could be required to set the duration of the repayment period depending on the amount owing as a result of under-billing. If the amount owing was less than a certain amount, the distributor could require payment in full, on the customer's next regular billing. If the amount owing was greater than a threshold amount, then the distributor would be required to allow the customer to pay in equal installments over the same duration as the billing error. The question then becomes one of defining the threshold amount.

Staff notes that the RSC is silent on the payment of interest by customers on amounts that have been previously under-billed, but that distributors are required

to pay interest to customers on amounts that have been over-billed. While this is asymmetrical, it may not be appropriate for customers to pay interest for under-billing where the customer was not responsible for the error. There may, however, be an argument for customers paying interest on previously under-billed amounts where the customer was responsible.

Q10. Staff has suggested three options for how distributors should refund to customers amounts owing for over-billed amounts. What are the advantages and disadvantages of each option?

For residential customers, VECC favours a full refund plus interest as either a cheque, or, in the case of automatic withdrawal, a credit to the customer's source bank account. A Notice outlining the basis of the refund should be sent to the customer's billing address.

Q11. Staff has suggested three options for how distributors should bill customers for amounts under-billed. What are the advantages and disadvantages of each option?

For Residential customers VECC favours amortization of the under-billed amount over a period equivalent to the period of the under billing, above a threshold amount of, for example, $10.00 or 10% of the average monthly bill.

Q12. With regards to the option where refunds would be provided in the form of a cheque if the amount owing was greater than a certain amount, what might be an appropriate threshold or criterion for determining the form of refund? Should the threshold or criterion differ depending on customer class?

See Response to Q10.

With respect to Residential Customers, we cannot foresee a refund so large that payment should not simply be made in full and by cheque. Arguably there may be refunds to Residential Customers where the figure may be small enough to warrant a simple credit on a future bill.

Q13. With regards to the option where the repayment period for under-billing would depend on the amount owing by the customer, what is an appropriate threshold or criterion for determining the repayment period? Should the threshold or criterion differ depending on customer class?

SEE the comment above under Q11 with suggested thresholds for residential customers.

Q14. The RSC requires that distributors pay interest on amounts that were over-billed, but does not allow distributors to charge interest on amounts under-billed. Is this asymmetry appropriate?

VECC suggests this is appropriate for the simple reason (which, presumably, is what is captured by the existing RSC) that the distributor, not the customer, is in control of the billing system. There is a justifiable presumption that under-billing is the fault of the distributor.

Q15. Where the customer is responsible for the under-billing, such as in the case of unauthorized energy use, including meter tampering or theft of power by the customer, should distributors be permitted to collect interest on the amount owing by the customer?

VECC submits that this would only be appropriate if the theft of power is proven in a court of law. The distributor can then make application for costs and damages and these can be determined by the court.

Q16. In light of the time periods for over- and under-billing that apply in other jurisdictions, is there merit in reconsidering the time periods set out in the RSC?

No.

Equal Billing

Section 2.6.2 of the SSS Code does not require distributors to offer equal billing to customers. Currently, a distributor has discretion as to the billing and payment options it offers its customers. As a result, some, but not all, distributors offer equal billing. A distributor also has discretion as to the terms and conditions of equal billing, if the distributor opts to offer this billing option. For example, many distributors require that customers have no outstanding account arrears in order to participate. Other distributors make participation in equal billing conditional upon participation in other payment plans, most commonly “pre-authorized payment” whereby the customer consents to having payments automatically withdrawn from the customer’s bank account at certain times.

VECC is surprised by Staff’s statement at page 20:

Staff is not aware of any customer concerns with respect to whether all distributors should be required to offer equal billing. Both customers and retailers have, however, expressed concern that some distributors do not offer equal billing to customers enrolled with a retailer. An informal survey by Board staff in June 2006 showed that, of those distributors who offered equal billing to residential customers, approximately 40% allowed customers enrolled with a retailer to participate.

VECC has consistently advocated that Equal Billing or similar plans be made more available and accessible to low income customers and seniors and believes this will improve payment default.

Credit history is an issue, however the two major gas utilities, in administering their respective Equal Billing plans, maintain that it is not a major factor regarding eligibility.

Q17. Should all distributors be required to offer some form of equal billing? If so, what might be appropriate criteria for participation by customers?

VECC believes that all distributors should provide equal/budget billing plans, subject only to the costs being appropriate to the size of the utility customer base.

Credit history should not be a major obstacle, since if credit history is poor security deposits are usually required. Likewise, it is VECC's understanding that entry into an Equal Billing plan could, if the usage pattern is appropriate, be timed so that the customer naturally builds a credit towards the account in the first few months which is then depleted at the end of the billing cycle. This is, of course, much easier in the case of natural gas utilities with the summer usage being relatively low.

Q18. If all distributors were required to offer equal billing, what are the implications for:

- Customer information / billing systems?
- Distributor's costs?
- Cash flow?

Cost /benefit analysis should be done by Board Staff for different size utilities prior to making EBP mandatory. Time should be allowed for compliance.

Q19. For those distributors that currently offer equal billing, but not to customers enrolled with a retailer, what are the implications of being required to offer equal billing to customers enrolled with a retailer? Specifically, what are the implications for:

- Customer information / billing systems?
- Distributor's costs?
- Cash flow?

Distributor Issue

Disconnection of Service

VECC notes that Electricity is an essential service/commodity and should be considered in that light when considering changes to the policies regarding disconnection.

The key is to set minimum requirements for notice as to period and form, but then allow the distributor discretion to go beyond these minima in order to maintain service. As Stated at page 26:

A review of some of the distributors' Conditions of Service documents also indicates that many distributors take several steps prior to the physical disconnection of a service and may issue and/or post several different types of notices, although few details are given as to the form and content of those notices. For example, many distributors take steps such as making a collection call at the customer's premises, issuing a "reminder notice", or making a telephone call to the customer. At least one distributor makes further attempts to ensure that the customer is informed as to the consequences of nonpayment of its account even after issuing a disconnection notice by placing a "disconnection sticker" on the customer's premises 48 hours prior to the actual disconnection of service. Another distributor issues a "door hanger" in addition to a disconnection notice, but again it is not known what information each contains.

Staff suggest the following information be part of the Notice of Disconnection:
• The amount that is overdue, including any late payment charges that have been, or may be, incurred;
• Scheduled date of disconnection;
• Any action(s) the customer can take to avoid disconnection (e.g., provide payment), and the deadline for taking such action(s);
• Any charges that may be incurred for reconnection; and,
• Contact information for the distributor.

As to the Form of Notice

Section 31(2) of the *Electricity Act, 1998* requires that notice be provided by personal service or prepaid mail or by posting the notice on the property. Where distributors provide notice by mail, staff also believes that it is important that customers can clearly identify a disconnection notice, and distinguish it from other mailings from the distributor, such as bills or marketing material (e.g. about the distributor's conservation programs). For this reason, staff suggests that the disconnection notice referenced above should be a separate document from the electricity bill, rather than statements on the electricity bill itself.

VECC suggests that the distributors should also address whether the default could be due to financial or other distress and follow approaches similar to the gas utilities, such as contacting social agencies to work with

the customer (assuming the customer consents) and work out payment approaches. These steps will take longer than the minimum 7 day notice period. (see below under Recipients of Notice)

Q20. Is the minimum information that staff has suggested should be contained within a disconnection notice sufficient? What information should be added? Should any information be removed?

VECC agrees that the basic information is adequate. It would be also useful to provide information/contacts for collaborating Social Agencies that may assist the customer.

Q21. Prior to commencement of the disconnection process, should distributors be required to send an overdue payment notice?

Yes.

Q22. Should the disconnection notice be a separate mailing from the bill, or is it sufficient that it be a separate document sent with the bill? What are the implications of requiring a disconnection notice to be a separate document from the bill? Specifically, what are the implications for:

- Communications with a customer?
- Timing of notices and bills?
- Distributor's costs?

VECC suggests that the form of Notice is critical so that it can be easily distinguished from other notices/overdue payment notices, such that it should be separate from the bill.

Q23. In addition to delivering a disconnection notice, should distributors be required to make personal contact with the customer (e.g. through a telephone call) prior to disconnection?

VECC suggests this be an additional requirement and should be mandatory.

On the other hand, the provision of information on Social Agencies that may assist is discretionary (see below on Recipients of Notice).

Staff suggests that the Board should consider codifying the minimum number of days of advance notice that a distributor must provide in order for notice of disconnection to be reasonable within the meaning of section 31(2) of the *Electricity Act*.

Consistent with the current guidance in the DSC, the minimum period of notice prior to disconnection could be seven calendar days.

VECC agrees that there should be a minimum period, but while the DSC specifies 7 days from the delivery of Notice, VECC believes this does not allow for customers in financial distress to seek assistance from Social Agencies that may take steps to correct the default.

A minimum period of 14 days would be more appropriate even though this may allow service to continue with potentially larger payment default. However the collections process will not be materially affected and there is an increased chance that a solution could be reached.

Q24. What would be an appropriate length of time following delivery of a disconnection notice for a second notice to be required if disconnection has not occurred?

If disconnection has not occurred within 7 days of the deadline in the original notice, VECC submits that a second notice should be required before disconnection. This requirement should be seen in conjunction with the proposed requirement that the utility attempt make personal contact with the customer in any event before disconnecting, and that the advance period for the first notice should be extended to 14 days.

Q25. What are the implications of requiring additional notice where a customer has not been disconnected within a certain length of time following delivery of the first notice? Specifically, what are the implications for:

- Communications with customers?
- Customer information / billing systems?
- Distributor's costs?

Distributor Issue

Recipients of Notices

The Paper Notes the issue of engagement of Social Agencies

Section 31(2) of the *Electricity Act, 1998* requires that a distributor provide notice of disconnection to the person who is responsible for the overdue amount. In the normal course, that person will be the account holder. There may, however, be circumstances where it may be appropriate for a distributor to also provide notice of disconnection to a third party.
In 2004, the Board consulted with interested parties in relation to issues associated with unpaid electricity charges (RP-2004-0166). As part of that consultation, some social agencies reported that they often become aware of the threat of disconnection too close to the date set for disconnection. This typically

arises because the client of the social agency does not pass this information along to the agency in a timely manner and, as a result, the agency may be unable to organize a response to the notice in time to avoid the disconnection. These agencies reported that, if they were to receive disconnection notices in a timely manner, many disconnections could be avoided.

At the Stakeholder Meeting, some distributors expressed concern that a requirement to provide notice to someone other than the account holder, such as a social agency, would require changes to their billing systems, given that disconnection notices are automatically generated. Whether this is a concern for all distributors is not known, nor is the magnitude of the cost that might need to be incurred to change billing systems in order to accommodate the provision of disconnection notices to third parties.

Q26. What are the implications of allowing customers to designate a third party to receive copies of notices of disconnection? Specifically, what are the implications for:

- Communications with customers?
- Customer information / billing systems?
- Distributor's costs?
- Communications with social service agencies?

VECC suggests that the main issue is that customers in default should be advised by the utility to contact collaborating local Social Agencies. It would be both onerous and an invasion of privacy for the utility to contact these agencies on the customers behalf, unless directly requested to do so. If, however, the customer wishes to designate a third party to receive notice, that option should be explored as a useful way to expedite resolution of arrears issues.

1.3 MANAGEMENT OF CUSTOMER ACCOUNTS
Distributor Policies - Landlord As Default Account Holder?

The crux of this issue is set out at page 36

Section 6.1.2 of the DSC contemplates that an implied contract exists between a connected customer and the distributor. Staff notes that, by definition, a customer is a person that has contracted for or intends to contract for electricity service. Staff does not believe that this section of the DSC should be relied upon to support a practice whereby a person that has not requested electricity service (or confirmed acceptance of continued service in his or her name) can nonetheless be made an account holder simply because the distributor has unilaterally decided to provide service for the account of that person.

A number of distributors justify their policy of opening accounts in the absence of a request for service, or on the basis of a request by a third party who may or may not be authorized in that regard, on the grounds that they need to have a customer of record at all times that electricity service is being provided to a property. Distributors have put forward several arguments as to why disconnection is not the appropriate course of action in such cases, including: the risk of property damage (e.g. from frozen pipes that may burst); a new customer should not be burdened with paying for reconnection; the increased costs resulting from a higher volume of disconnections; and the absence of a Board-approved specific service charge for disconnection for reasons other than nonpayment.

Q27. In addition to the potential for property damage (e.g. from frozen pipes), are there any other implications of disconnecting a property when no new request for service has been received?

VECC suggests that during the period following notice there should be attempts to contact the owner of the property and determine if that party wishes to continue service i.e. becoming the new account holder.

Q28. When an account is closed, what are a distributor's criteria for determining whether to:
(a) continue to provide service to the property in the absence of a new request for service;
(b) terminate service to the property?

Distributors to Answer, however see VECC's Response to Q27

Q29. Are there circumstances in which it would be appropriate for a distributor to open an account in a person's name, and thereby seek payment from that person, where the person has not made a request for service? If so, please identify.

No. While it may be tempting to legitimize the practice of landlords, for example, being able to open accounts on behalf of tenants, or property manager's to open accounts on behalf of condo owners, without appropriate authority from the intended account holder, VECC strongly suggests that it is simply inappropriate. What it amounts to is a leap of faith on the part of the utility that the tenant/condo owner, for example, has agreed with the landlord/condominium corporation to be responsible for the utility. While a cost benefit analysis may show, for example, that the majority of the time the intended account owner will take responsibility for the invoices once received, unless and until the intended account owner accepts responsibility for the account there is no contract between them. Absent some specific, verifiable authority to act on the intended account

holders behalf, a utility and a third party simply cannot enter into a contract on behalf of the intended account holder unilaterally.

Q30. What types of information should a distributor collect from a person that is requesting the opening of an account in order to confirm the identity and, where applicable, authority of the person?

Other than previous account (if any, even with another distributor) they should require name, Phone number and SIN. Also the utility could include additional information, for example a Secret Question/answer similar those that the Banks use to verify the caller is the account holder. The concern here is that a 3rd party, like a landlord, attempting to act in the name of a tenant, for example, will likely have collected similar information at the commencement of the tenancy.

PART II: EVALUATION AND RECLASSIFICATION OF CUSTOMERS

Classification and reclassification can have a significant impact on customers, In the Discussion Paper, staff has classified the issues as follows:

- Use of billing demand
- Periodicity of the calculation of demand for rate classification purposes
- Assignment of new consumers to classes
- Evaluation and reclassification of existing customers

2.1.1 Use of Billing Demand

Staff suggests that greater clarity around the determination of billing demand would benefit both consumers and distributors. Since the account history data kept in the distributor's billing system will be the billing demand, staff suggests that the Board should define demand and include the concept of billing demand.

- One option is to allow billing demand to be determined on the basis of either kW or 90% kVA. Staff suggests that this approach should be structured such that the general rule is that billing demand be determined on the basis of kW, which is in greater use in the industry. Use of 90% of kVA would be permitted, but only in specified circumstances.

- Alternatively, billing demand could be expressly defined as kW demand. Any distributor that wished to apply a kVA-based billing demand for rate classification purposes would be required to apply for permission to do so.

VECC notes that "demand" is not currently used for billing residential customers, but that this is being discussed as part of the Board's Rate Design project as a viable alternative once smart meters have been

deployed. VECC will articulate its views on the use of "demand" as a billing determinant for residential customers as part of that process. The following comments should be viewed as being applicable to those circumstances where "demand" has been established as the appropriate billing parameter.

VECC also notes that the question of kW vs. kVA is a largely technical issue but agrees with Board Staff that there should be consistency across all distributors. However, for smaller customers (e.g. < 50 kW) there is also the question of understandability and customer acceptance. For these reasons kW demand would be less confusing for residential customers.

Finally, whether kW or kVA are used, the time interval over which it is measured also needs to be specified and standardized (e.g. 15 minutes, 30 minutes, 1 hour, etc)

Q31. What are the advantages and disadvantages of each of the options identified above?

See preceding comments

Q32. Should the general rule be that billing demand be determined on the basis of a consumer's measured kW?

Yes for Residential customers

Q33. Under what circumstances should a distributor be permitted to assign a consumer on the basis of kVA as opposed to kW?

Possibly Large User Classes

Q34. Should use of 90% of the kVA demand as billing demand be limited to cases where a determination of below standard power factor has been acknowledged to the customer (as with Nova Scotia Power)? This would give the customer an opportunity to correct the situation at its own cost before being re-classified.

Not applicable for Residential Customers

The Remaining Issues in Part II are not directly relevant to VECCs constituency of vulnerable energy consumers, normally classified as residential low volume customers.

PART III: MANAGEMENT OF CUSTOMER NON-PAYMENT RISK

As set out in the June 4, 2007 staff Discussion Paper, distributors have a number of *ex ante* and *ex post* tools available to them for the purpose of managing non-payment risk. *Ex ante* actions include the use of security deposits, negotiation of accelerated billing, proper screening and credit evaluation of large volume customers, customer monitoring, disconnection, load limiters, use of collection agencies, and the inclusion of bad debt expense amounts in the revenue requirement when applying for a rate adjustment.

Ex post actions include the cashing or realization of security deposits, pursuing legal remedies in bankruptcy proceedings and the ability to apply to the Board for specific relief through the mechanism of a deferral account.
Section 2.4.6.2 of the DSC sets out the following general rule regarding the management of non-payment risk:

In managing customer non-payment risk, a distributor shall not discriminate among customers with similar risk profiles or risk related factors except where expressly permitted under this Code.

VECC understands that this section is directed to non-payment risk for large customers, not residential customers. However it wishes to reiterate it's position (submitted in other Board proceedings) that requirements for security deposits from residential customers are not uniformly applied across all distributors. Accordingly there should be clear rules as to the circumstances when security deposits are required for existing and new residential customers.