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October 9, 2014

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Comments in EB-2014-0198
Draft Report of the Board
Electricity and Natural Gas Distributors' Residential Customer Bill Practices and Performance

Please find enclosed the comments of VECC in the above notes proceeding. Due to our oversight we did not file a submission with respect to cost awards by the noted date of September 25, 2014. VECC requests the Board's indulgence in this and seeks leave to be granted permission toqualify for and claim costs in accordance with the guidelines provided.

Yours truly,

Michael Janigan
Counsel for VECC
cc: Mr. Vince Mazzone, Ontario Energy Board
e-mail: vince.mazzone@ontarioenergyboard.ca

EB-2014-0198

ONTARIO ENERGY BOARD

Electricity and Natural Gas Distributors' Residential Customer Bill Practices and Performance

INTRODUCTORY COMMENTS

1. The Vulnerable Energy Consumers Coalition (VECC) welcomes the opportunity to provide its views on the development of OEB policies with respect to residential billing practices.

2. The Board has invited comment on its Draft Report, Electricity and Natural Gas Distributors' Residential Customer Billing Practices and Performance (Draft Report). The Board has articulated the purpose of the Report as: "*to assist customers in better understanding their energy consumption so that they can manage that consumption and control their costs*[i]". The Report concludes with this policy statement "*The Board's is of the view that one of the most effective ways to achieve these objectives is to have all non-seasonal electricity residential customers in Ontario billed on a monthly basis and that this should occur no later than January 1, 2016*."

3. The survey results show that natural gas distributors do monthly billing whereas electricity distributors do a combination of monthly and bi-monthly billing. It also shows that equal billing is far more popular for natural gas accounts than it is for electricity. It demonstrates that e-billing is offered and adopted by consumers in various ways among all distribution utilities. There is no discussion as to the methods offered for e-billing or, as a separate issue the different ways to implement e-payment.

4. The Report makes the unsubstantiated claim that "[A] *major benefit of monthly billing from the consumer perspective is that it will bring a stronger connection between consumption and costs and make it easier for customers to identify the drivers that influence energy use to enable more immediate action to adjust their use and reduce their electricity bills monthly*." This conclusion does not appear to be based on any specific data, but rather the intuitive thought that more frequent review of information makes one more responsive. However, just as more speed limit signs do not necessarily result in lower speeds, the frequency of reviewing one's bills does not necessarily make one a more sensitive to their energy consumption.

5. The Report also suggests that: *"sending a bill on a monthly basis, may improve customer relations as it may reduce inquires or complaints related to high bills since the total bill amount will be for one month rather than two*." Not only is there no substantiation for this claim, the statement is at odds with the previous conclusion that more frequent billing would elicit a <u>greater</u> response from consumers in respect to their consumption of electricity. Since consumers presumably know the difference between paying for one or two months 'energy consumption, it is not clear why the number of complaints should not increase, rather than decrease, if billing frequency were increased.

6. With respect to the information upon which the Board's proposed policy is made we are in agreement with the views of the Consumer Council of Canada. **If the Board has data upon which it has made key (and potentially costly) conclusions with respect to the mandating of monthly billing then in our view it should be made available to all parties. If such data does not exist then there is no evidentiary basis for the policy**.

7. The Report suggests that there is a "potential" for increased costs in moving from bi-monthly to monthly billing. In fact **in the absence of any other changes in the costs built into current rates it is certain that costs will increase if monthly billing is mandated**.

8. The Report also states that the benefit of improved cash flow (and hence lower working capital) has not been quantified. This is not true. The consensus methodologies for determining working capital are lead/lag studies. All such studies show that there is a clear and material difference in the service lag as between monthly and bi-monthly billers. Moving from bi-monthly to monthly billing clearly and unequivocally reduces the working capital requirement of a utility. Such a move must therefore reduce the rates charged to consumers**.**

9. If working capital is not adjusted for a change to monthly billing then consumers are made worse off. **It is clearly unjust and unreasonable to make consumer pay for a working capital allowance based on bi-monthly billing if a utility changes to monthly billing.**

10. While e-billing has the potential to reduce mailing costs it incorporates new IT costs. **VECC strongly objects to requirements to force customers to e-billing or to penalize consumers for using paper billing. There still exist consumers who are on the other side of the digital divide: they either lack the resources, the capacity or the desire to be connected to the Internet.**

11. VECC also agrees with the submission of LPMA that the Board should investigate how to decrease the inordinately long billing lag in the electricity sector. It is ironic that the fully automated reading/smart meter/SME environment of the electricity sector has a billing lag which is multiples longer than that of the manually read meters of the natural gas sector. In our view a comprehensive and more effective approach to the issue of assisting customers better understanding of (and responding to) electricity issues, would be to review the issue of billing lag. **The issue of billing lag, rather**

than billing frequency, should be the focus of the Board's attention if it is concerned about electricity customers.

12. VECC agrees with LPMA that the major benefit of monthly billing is that it allows consumers to better budget for energy costs. The take-up of equal billing in natural gas is demonstrative of the consumers' desire to manage bills in a predictable fashion. Equal billing is popular in natural gas because it allows consumers to spread over a full year the energy costs that predominately occur in the colder one-half of the year. In comparison electricity consumption occurs more evenly throughout the year. Equal billing in electricity is therefore less attractive an option and unlikely, even under optimal conditions, to attract the same enthusiasm as it does in natural gas.

13. In our view, in the absence of revisiting the costs of changing from bi-monthly to monthly billing, there should be no mandated changes to billing frequency. In fact, it is unclear to VECC the basis for the authority under which the Board can mandate such a change, if it is not done in a specific proceeding. In this respect, VECC agrees with the submissions of CCC that changes to billing cycles (and the cost consequences therein) should only be done on a case by case basis. **VECC respectfully submits that the Board should provide clarification as to how it intends to proceed and under what authority it will act to implement the proposed policy**

Board Questions

14. With respect to estimated billing, we are in agreement with the Board that for electricity distributors with smart meter implementation there is no reason, other than under temporary technical failures, for estimated bills. A smart metered customer being provided an estimated bill is demonstrative of failure to properly use the investment. Therefore such investments should be disallowed for the purpose of ratemaking.

15. With respect to the remainder of the questions raised in the Report, VECC supports the submissions of LPMA.

16. We hope that these comments will be helpful. We ask that the Board allow recovery of our prudently incurred costs in this matter.

DATED AT TORONTO, OCTOBER 9, 2014