

January 12, 2015

Delivered by email: (to [boardsec@ontarioenergyboard.com](mailto:boardsec@ontarioenergyboard.com))

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

Dear Ms. Walli:

Re: Consultation on the Effectiveness of Part II of the Energy Consumer Protection Act, 2010  
Board File Number EB-2010-0245  
Final comments

I am writing to provide my final comments on the ECPA Part II Review. Below you will find a recap of comments I previously provided and my presentation at the December 8 Stakeholder Forum. I also offer additional comments on one of the other December 8 presentations and likely additional input from retailers.

#### **Submission - November 20, 2014**

My November 20, 2014 submission can be found at:

<http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/456644/view/>

The following is a summary:

1. The Ontario retail electricity market suffers from an asymmetry of information and so is dominated by unsavoury sellers and gullible buyers.
2. The Global Adjustment or GA – paid for by customers on regulated rates and those on retail contracts – already provides protection against varying spot prices.
3. Ontario retail electricity contracts duplicate what is already being done by the GA, causing consumers to effectively speculate on the spot market price of electricity. These contracts are therefore very unnecessary.
4. The extreme profit margins embedded in retail electricity contracts virtually guarantee a homeowner will incur an added cost. This cost can be \$ 200 or more per year.
5. If we must improve the cement life jacket, side-by-side bill comparisons should be proactively audited and verification scripts should be modified such that the retailer clearly identifies for the customer the option costs, the higher cost option and magnitude of the differential.

#### **Presentation – December 8, 2014**

My December 8 presentation at the Stakeholder Forum can be found at:

[http://www.ontarioenergyboard.ca/oeb/Documents/EB-2014-0158/ECPA\\_Review\\_Presentation\\_BruceSharp.pdf](http://www.ontarioenergyboard.ca/oeb/Documents/EB-2014-0158/ECPA_Review_Presentation_BruceSharp.pdf)

The following is a summary:

1. Abolish retail electricity contracts (new and renewals)
2. If continuing retail electricity:
  - a. Increase, tighten disclosure
  - b. Introduce (high) quality standards
  - c. Strongly enforce

There should be no new or renewed retail electricity contracts for the vast majority of the market (residential and other small volume consumers). Existing contracts should be honoured.

If legislators will not abolish new and renewed retail electricity contracts, then the market could be effectively abolished (through attrition) with disclosure increases, clear and increased retailer conduct performance standards and strong enforcement.

Increased disclosure would involve enhanced side-by-side bill comparisons that make explicit which option (Regulated Price Plan or retailer option) provides a lower price and by how much. As well, clear communication of this by retailer to consumer would be confirmed at the time of contract validation.

High quality standards would include a proactive, systematic, quantitative approach to auditing. If not already in use, Acceptance Sampling should be adopted. Such a process would allow sets of contracts by retailer from given periods to be approved or rejected – depending on whether or not samples of contracts and consumer interactions met strict quality standards (for a range of errors).

The high quality standards and accept/reject process referenced above would form the basis for strong enforcement. Failing that, retailers would also be subject to fines and other financial penalties an order or orders of magnitude higher than what they currently face – such that they experience real financial pain and are motivated to mend their behavioural ways.

### **IRG consumer research**

The following summary of selected findings – in no particular order – clearly points out what’s wrong with retailer offerings for smaller Ontario electricity consumers:

- Many current and past contract holder are unaware they are in an energy contract.
- Language and to a lesser extent household income play a large role in determining whether or not a household has entered into retail energy contracts, with households where English is not the first language and incomes are lower being much more likely to be in retail energy contracts.
- The most common reason given for entering into an energy contract is to “save money” and yet this is clearly not happening.
- The second most common reason given was “keep bills stable” and yet entering into a retail electricity contract clearly makes bills much less stable.
- Many contract holders are happy with their results and so one would think feel the contract(s) is meeting their goals.

### **Likely retailer comments**

Two old chestnuts that were raised at the Stakeholder conference and/or will likely arise in final comments submitted by retailers include:

Consumer choice – One argument retailers will put forward in support of retail energy contracts is that consumers should have choice. The reality is that citizens are often given no choice – especially where choices they are prevented from making would harm them. Examples where consumers are routinely prevented from making harmful choices include: use of automotive seatbelts, use of motorcycle helmets, auto insurance and healthcare.

Jobs – Another argument retailers will put forward in support of retail energy contracts is that retailers employ people in Ontario. Even if all the risk premiums and profits associated with retail energy contracts remained within Ontario, the result would be a zero sum game and so merely a wealth redistribution – often from consumers who can least afford to lose the money to those who can most easily do without the money. Once the ultimate destination (out of province) for much of the money is considered, the economic proposition as a whole for Ontario becomes a large loser.

This completes my comments. I look forward to reading the comments of others and the final outcomes of this process.

Yours truly,

Bruce Sharp, P. Eng.