



June 21, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St., Suite 2700
Toronto, ON, M4P 1E4

Dear Ms. Walli:

**RE: Review of Customer Service Rules
Board File Number EB-2017-0183**

On May 25, 2017 the Ontario Energy Board (the “Board” or “OEB”) issued a letter to all licensed electricity distributors in which it requested distributors share their experiences with the existing Customer Service Rules (“CSR”) and whether they are meeting the expectation of their customers. The OEB also requested comments on ideas for improvements.

This is the submission of the Coalition of Large Distributors (“CLD”)¹ in response to that letter. This submission has been filed via the Board’s web portal and three (3) requisite paper copies have been couriered to the Board.

General Comments

1. Clarification of CSR Review Scope and Objectives

As noted in the OEB’s letter, dated May 25, 2017, this review of the CSR for electricity distributors, seeks to examine business impacts and customer expectations of both the existing and potentially revised CSR.

This exercise would be greatly informed by having access to the statistics reported by Ontario local distribution companies (“LDCs”) over the past five years (2012-2016 data), as part of the Regulatory Record Keeping and Reporting (“RRRs”) requirements, as well as any insights the OEB has gained to date. Information at the provincial level may also assist in determining what elements of the CSR are performing well, need attention or are unknown.

Further, in order to assess the effectiveness of the existing CSR, it would be useful to understand what the specific objectives or measures were, as this is unclear.

¹ The CLD is comprised of the following electricity Local Distribution Companies: Alectra Utilities, Hydro Ottawa Limited, Toronto Hydro-Electric System Limited, and Veridian Connections Inc.

2. Limitations of Data

Measuring and reporting volumetric information on the outcomes of account management processes and provisions provides limited insight. While the CSR are designed to provide consumers with consistent opportunities to manage their account balances, the standards and measures do not incorporate the unique circumstances, behaviours and outcomes of customers in response to such provisions.

For example, reporting volumetric information obscures the individual consumer journey, patterns and the areas of success or failure. Further, it can take several months and sometimes years for the full impact of an account management issue to conclude. Some outcomes may not unfold until the account is no longer active. In addition, due to the mandatory nature of the provisions, LDCs can no longer compare current statistics under the CSR against outcomes (i.e., a control group) under the previous, LDC-specific, account management processes.

3. CSR - Goals and Objectives: Measures of Success (similar to provisions of the Renewed Regulatory Framework for Electricity Distributors ("RRFE") Scorecard)

With reference to the aforementioned points (1 and 2), along with the RRFE objectives, standards and measures, a review of the CSR should also assess the value and insight of the associated reporting requirements in terms of being:

- Aligned with and reflective of a distributor's effectiveness in achieving the above performance outcomes;
- Reflective of customer needs and expectations;
- Encouraging of year-over-year performance gains;
- Revealing of current performance and signaling future performance;
- Reflective of a distributor's effectiveness in prioritizing and pacing investment (with regard to total bill impacts) and implementing its capital plan;
- Measureable by each distributor, and aligned with its reporting for its own internal purposes to the extent possible;
- Considerate of the characteristics of a distributor's service territory; and
- Practical for both the customer and LDC.

4. Financial and Opportunity Costs

The CLD recognizes that the CSR are part of a larger provincial effort to address the energy security needs of low-income or vulnerable consumers, in keeping with the objectives and provisions of the RRFE. Nevertheless, LDCs must strike an effective balance between the objectives of customer focus, operational effectiveness, public policy responsiveness and financial performance – key pillars towards delivering on the OEB's mandate of ensuring that rates remain fair and reasonable, and that utilities remain viable and able to deliver the services customers expect both today and in the future.

While OEB or Ministry initiatives are not subject to the same level of financial scrutiny to which licensed entities are as part of a rate application, it should be recognized that the business impacts can be as material in many instances.

As such, a review of the CSR and outcomes needs to include an assessment of the financial costs (implementation and ongoing) of the existing provisions, as well as the opportunity costs of deferring prior investment, service and cost-reduction commitments (per rate filing), relative to the benefits that customers receive from the CSR in the short- and longer-term. This approach is consistent with the RRFE objective of measuring outcomes, not outputs.

Further modification to the CSR needs to effectively address identified weaknesses or issues and not, by default, shift them.

5. Consumer/Stakeholder Engagement

In addition to the OEB surveying consumers, it would be informative to engage social service agencies regarding their experiences and outcomes of clients who were eligible participants. For example, are there still issues with multiple programs that customers must navigate through to acquire the assistance they require to maintain their electricity service? The CLD believes that social service providers are well-suited to offering advice in that respect.

6. Experiences with the Alternative Approach Implemented by Natural Gas Distributors

Natural gas distributors have developed their own CSR and measures, which they file with the OEB annually. Their experiences and insights would be informative in reviewing the CSR for electricity distributors.

CLD RESPONSES TO ATTACHMENT 1

Billing and Payments

1. In terms of billing and payment options, have your customers shown an interest in greater options and choice such as:
 - a. being provided with a choice of two bill payment due dates within a month;
 - b. being provided with the option of electronic (paperless) billing;
 - c. accepting other forms of payment such as credit cards?

Customers of the CLD have generally not requested having the choice of two bill payment dates within a month. Given the lack of demand for such a choice by customers, and the potential difficulties and costs of administering such a program, the CLD does not believe such a choice should be mandated by the OEB, but rather left up to the discretion of each individual LDC to determine whether such a program would benefit their customers.

Customers have generally been interested in being provided with the option of electronic (paperless) billing and all members of the CLD are experiencing increased customer uptake in electronic billing. All members of the CLD currently offer and promote this service to their customers.

While all members of the CLD currently accept credit card payments for customers who are disconnected or at risk of disconnection, not all members accept credit cards for regular payments. Of those that do accept credit cards, a reasonable service fee is charged by the processing company to the customer. The CLD believes this to be a reasonable practice which supports the user pay principle.

2. How would providing residential customers with a choice of two or more bill payment due dates within a month affect the distributor's systems and operations?

The CLD currently foresees two ways in which an LDC could implement such an option:

- 1) *An LDC could implement double the amount of billing cycles for residential customers. Doing so would require extensive work on the part of the LDC to establish and assign new read cycles. This would prove to be a complicated and costly solution to implement.*
- 2) *The other option is to essentially use the same read cycles but to delay the customer's bill print date by 15 days. While this may be an easier solution for some LDCs to implement, this would increase the LDCs' requirement for working capital, increase the amount of bad debt and would therefore also increase customers' costs.*

Given that both options increase costs, and neither is being requested by customers, the CLD respectfully recommends that a choice for residential bill dates not be mandated by the OEB, but rather be left up to the discretion of each LDC.

Through some CLD members' experience with their Equal Billing/Payment Plans, participants generally prefer withdrawals to occur on the first of the month or mid-month. If preferred bill payment due dates are increasingly concentrated around certain dates, it will affect cash flow, bill generation, bill printing, meter reading, payment processing, collection activities, and call center volumes. Managing each customer's choice of due date is very likely to increase manual work and drive up operational costs. The CLD submits that there are operational benefits to distributing the billing dates of customers across the billing period.

3. What are the operational implications of accepting credit card payments for the distributor?

As stated above, some members of the CLD are currently accepting credit card payments for regular bill payments. Using a credit card in such an instance will usually include an administrative fee being charged directly by the third party payment processor to the customer. In order to comply with payment card industry rules, an LDC cannot pass along a credit card fee to the customer when payment is processed in-house. Furthermore, customers are less inclined to make regular payments by credit card when credit card fees are passed onto them. The CLD believes that due to the high cost of processing credit cards, this practice should remain at the discretion of the LDC, as should the ability to recover or avert these costs in a fair manner which supports the user pay principle.

4. Does the length of allowed payment period following the issuance of an invoice (current period is 16 days) affect the distributor's operations?

Yes – by extending the allowed payment period, LDCs would require incremental working capital to bridge the gap between when they pay the IESO and when they receive payment back from the customers. The CLD submits that extending the payment period beyond the current effective period of 19 days (LDCs must add at least three (3) days to account for mailing time to the 16-day minimum payment period) will not benefit customers, and if anything, will only increase costs to accommodate the LDCs' requirement for additional working capital. As electronic billing becomes more prevalent in Ontario, the need for longer payment periods will begin to diminish.

Allocations of Payments

5. Are there any reasons for partial payments to be allocated in accordance with customer requests, instead of the current requirement that partial payment must first go to electricity charges?

Customers served by the CLD have not raised any concerns with the manner in which partial payments are allocated, in accordance with the Distribution System Code, Sections 2.6.6 and 2.6.6.3.

While some LDCs (some of whom are CLD members) bill for third party services such as water, the CLD believes that partial payments should not be allocated in

accordance with customer requests instead of the current requirement that partial payment must first go to electricity charges.

6. What would be the implications for distributor systems and operations of allocating partial payments in accordance with customer requests?

The CLD does not support allowing customers the choice of deciding how to allocate partial payments, and believes it should continue to first go to electricity charges. Allowing such choice to customers on partial payment allocation has the potential to affect general accounting practices and RRR reporting significantly.

Furthermore, changing the order in which partial payments are allocated within an LDC's customer information system would be costly and involve significant IT and operational efforts. It would also be difficult to change the payment allocation order at a customer's request and on a per account basis. The CLD strongly recommends against providing customers a choice for allocation of partial payments. As noted in response 5, CLD customers have not raised this need.

Equal Monthly Payment (EMP) and Equal Billing Plans (EBP)

7. What are the implications of offering equal billing/equal monthly payment option to:

- a. Residential customers enrolled with electricity retailers

Extending EMP options to this group of customers could increase manual work load and costs associated with enrollment, semi-annual reviews and annual reconciliation. Some members of the CLD currently offer EMP or EBP options to customers enrolled with electricity retailers. However, the CLD submits that whether or not to extend this service to retailer enrolled customers should remain at the discretion of the LDC. The mandatory implementation of monthly billing for residential and GS<50 kW customers has decreased customers' need for EMP/EBP, as customers are in a better position to budget for electricity service.

- b. All general service <50kW customers

Most members of the CLD do not offer EMP or EBPs to their GS<50kW customers. Due to the large variability of usage within this class and the wide variety of customers contained therein, estimating the customer usage can prove to be quite difficult especially if the customer is new and does not have any historical usage. The CLD believes that extending EMP and EBP to this class exposes the LDC to a large amount of risk in the event these customers default while their account still has a balance owing to the LDC.

Disconnection for Non-Payment

8. Should the notice period be longer than 10 calendar days before disconnecting a residential or general service <50kW customer for non-payment reasons?

The CLD believes that the current notice period of 10 calendar days before disconnecting for non-payment is both adequate and fair. The CLD notes that the

actual duration between notice and disconnection is longer than 10 days as it takes between one and ten days before the disconnection is executed following the initial 10 day notice period.

Extending timelines does not necessarily assist customers, as longer disconnection notice periods could allow for further arrears to accrue prior to disconnection. Furthermore, a longer notice period may relegate the disconnection notice to the function of a reminder notice and may necessitate a timelier follow up with the customers in the form of additional communication.

9. Whether and if so, to what extent and under what circumstances residential and general service <50kW customers be protected from disconnection for non-payment during winter months?

Residential Customers

For CLD members, the recent moratorium on winter disconnections caused residential aged arrears to increase significantly compared to the same period in 2016. The CLD will continue to monitor account recovery and payment trends and may be in a position to provide the OEB with further details, at an appropriate juncture during the phase one review. As an alternative to full disconnection, the CLD encourages appropriate use of load limiters/timed load interrupter devices. If the OEB considers making the use of timed load interrupter devices during winter months mandatory (in lieu of disconnections), the load interruption schedule may be prescribed in a manner that promotes customer safety. For example, distributors may be required to allow power to flow through a minimum of X hours per day (“on” hours) and may be prohibited from interrupting load for more than X consecutive hours per day (“off” hours).

The CLD also recommends that the OEB unambiguously define “winter” or any other periods of time during which disconnection activities may be curtailed or banned. This may be done by setting daily high or nightly low temperature thresholds or a range of dates, or a combination of both.

If the OEB is considering a range of dates to determine restriction periods, a single range may not fully fit the weather conditions faced by all customers, given the broad diversity of Ontario’s geography and climate. The CLD recommends that the OEB define winter months on a regional, not provincial, basis.

General Service <50kW Customers

While the CLD understands the unique circumstances and sensitivities relating to winter disconnection of residential customers, the need to extend this level of protection to general service customers is less clear. The CLD is sympathetic towards those electricity customers who are unable to pay their electricity bills during the winter months and are at risk of disconnection – particularly those customers who require electricity for their heating. However, the argument of heating being a necessity for survival in the cold winter months only applies to residential customers, and not general service customers. Furthermore, distributors are typically less able to recover arrears from commercial customers facing disconnection. The CLD submits that any regulation prescribed for

residential customers in regards to winter disconnections need not be applied to the general service class, but rather, that each LDC be afforded the opportunity to work with its general service customers to help them manage and pay their bills.

10. Whether and if so, to what extent and under what circumstances charges relating to non-payment of accounts (e.g. collection, disconnection, load control devices) should be waived for customers who are unable to pay their bills and facing disconnections?

The current rules that allow for the charges relating to non-payments of accounts for low-income customers entering into an Arrears Payment Agreement (APA) are sufficient. The CLD is concerned that extending this to all customers will defeat the purpose of having such charges, and will further incent the behaviour that such charges are intended to guard against. The CLD recommends increasing and facilitating customers' access to assistance programs as a preferable alternative, rather than waiving charges for non-payment of accounts. Waiving specific charges related to non-payment of accounts would effectively become a cross-subsidy between ratepayers.

Arrears Payment Agreements (APA)

11. What improvements can be made to the APA terms set out in the DSC such as required down payment, length of repayment period, inclusion/exclusion of late payment charges, number of defaults allowed before cancelling the APA, etc.?

Customers who participated in the APA as set out in the DSC have experienced a failure rate much higher than those customers who worked with the LDC to develop their own payment plan. CLD members' experience with the APA is that it is too rigid, and the rules create higher future bill payments that the customer cannot manage. The preferred solution has been for the customer and LDC to work together to develop a payment plan that works for them, which has led to a considerably higher amount of success.

12. Whether and if so, under what terms APAs should be offered to general service <50kW customers unable to pay their bills?

The CLD submits that OEB-defined APAs should not be offered to GS<50kW customers, but rather, each LDC should work with their customers to develop a plan that works for them. This allows for the greatest amount of flexibility and allows for the LDC to create a customized plan that works in the best interest of the customer. If LDCs are encouraged or mandated to extend the terms of credit for GS<50kW customers, it could constitute a cross-subsidy by ratepayers.

Security Deposits

13. What changes, if any, do you recommend in relation to the security deposit rules for
- Residential customers

The CLD does not recommend any further changes to current rules with regards to this group of customers. The CLD submits that the current rules regarding security deposits are already too rigid, and after conducting a cost-benefit analysis of collecting residential security deposits, some members of CLD have either stopped or are considering stopping the collection of residential security deposits.

b. General service <50kW customers

The CLD does not recommend any changes to current rules with regards to this group of customers.

Additional Comments

Correction of billing errors

Distributors are obligated to correct billing errors retroactively up to two years pursuant to the OEB's Retail Settlement Code. However, in some situations, this correction period may be too restrictive and making retroactive corrections for longer periods in the customer's favour may be the fairer outcome. The CLD believes that where a distributor goes beyond the two-year rule and retroactively corrects bills for longer periods in the customer's favour, the distributor should have the ability to omit those corrections that are older than two years from its reported billing accuracy.

Time computation rules

The time computation rules in section 2.6 of the Distribution System Code currently impose restrictions upon the timing of payment posting. These rules are less relevant given that payments by cheque are becoming less frequent. For example, only 5% of Toronto Hydro customers make payments by cheque. Compliance with these rules adds to distributors' manual workload and billing system configuration costs.

In order to avoid and reduce these costs, the CLD recommends the revocation of time computation rules that require distributors to deem payments to be made at a time prescribed by the rules, as opposed to when the payment is actually received by distributors.

Delivery of disconnection notices

The OEB's CSR currently do not allow great flexibility with regards to the delivery of disconnection notices and other essential communications to customers. Increasingly, customers prefer and better respond to electronic communications as opposed to mailed communications and phone calls. Where a customer so requests, the use of e-mails, text messages (SMS), and similar electronic methods of communication in lieu of or in addition to mail and phone calls may be much more effective in communicating essential information to customers.

Timing and Impacts of CSR Review

The CLD has general concern with the timelines expressed in the initiation of this consultation.

Depending on the nature and volume of rule changes that result, there could be significant implications for billing system changes.

The CLD encourages the OEB to engage utilities frequently through this process to ensure that the final suite of changes, if any, can be implemented with minimal additional cost and maximum benefit

Yours truly,

[Original signed on behalf of the CLD by]

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