REVIEW OF CUSTOMER SERVICE RULES

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?**

   a) Most electricity distributors have not experienced significant customer interest in choice of billing date. The EDA notes that other industries do not typically provide consumers with this choice. Many LDCs provide the flexibility for their customers enrolled in Pre-Authorized Payments and/or Equal Payment Plans (EPP) to request one preferred payment date (any day of their choice in the month) instead of the distributor's proposed due date. One LDC reported that approximately 4% of their customers have elected their preferred payment date. Rather than providing two bill payment due dates, many LDCs remind customers that they can remit payment as often as they like throughout the month. The EDA notes that negotiable billing dates have cash flow implications and may not be able to be rendered through existing automated billing solutions.

   b) LDCs typically provide e-billing and both offer and promote it knowing that it is a lower cost alternative to paper billing. Versus paper billing, e-billing may support better customer record keeping and data tracking over time.

   c) LDCs typically accept credit card payments and require that the customer be responsible for any fees charged by the third-party service provider.

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 EDA suggests that it is unclear whether providing a choice of two or more bill payment dates on an invoice will provide a consumer benefit, or, if it is cost effective and is concerned over the potential for customer confusion could result in unintended consequences (e.g., increased Not Sufficient Funds charges). While it is important that customers understand that the due date of an invoice is not flexible there are options available today capable of helping customers manage their payments (e.g., EPP). The EDA points out that LDCs typically accept multiple payments during the period.

   There is an inherent risk in the above scenario of customers being able to elect bill payment due dates. For example, customers could converge on dates that would likely conflict with the payment lag assumption of the Lead-Lag study that was relied on for rate making purposes. It is an open question whether distributors' Customer Information Systems (CIS) would be able to support customer elected due dates or, potentially, multiple payment due dates, and, whether there is sufficient space on the bill to present more than one due date. Due dates are an essential input to the collection and delinquency process that has been built into current systems. Customer choice of payment due date would require review of and revisions to existing business processes and their reflection in these automated systems. The benefit of administratively simpler alternatives, such as changing bill presentment to include bi-weekly or weekly payment options at the discretion of the customer, should be analyzed.

In order to minimize costs, distributors have responsibly scaled the resources required to perform tasks such as billing, for example by leveling the number of bills issued each day of the month. Any 'lumpiness' in the billing schedule could over burden resources at certain times during the billing cycle and cause them to be idle at others – where both situations put upward pressure on costs.

LDCs are not aware of other utilities or businesses providing this type of customer flexibility. The EDA recognizes that the options that Ontario's electricity distributors currently provide their customers are consistent with those offered in other industries. Accordingly, any further exploration of providing customer choice of two or more due dates should include both a thorough cost/benefit analysis and compare this innovation with emerging best practices in competitive markets.

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

Many LDCs currently process credit card payments and have coped with the operational implications of this form of payment (e.g., the one-time upfront systems changes). Some LDCs recover the associated third-party costs through rates, while others, for reasons of cost causality, recover them directly from the customers who pay by credit card or the fee is covered by the service provider.

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

The duration of the allowed payment period does impact distributors' operations. LDCs observed that their Working Cash Allowances are premised on the current 16-day period and that any change to the number of days (where shortening the payment period is expected to benefit distributors and, conversely, lengthening it is expected to result in distributors extending additional credit) ought to be flowed through to rates at the earliest opportunity. LDCs also observed that collection activities are premised on elapsed days and, if the payment period is either shortened or lengthened, that these business processes will need to be reviewed and, in some instances, amended (e.g., to avoid overlapping collection processes for a subsequent bill due date).

Some LDCs serve significant student populations that require service for periods of typically less than a year and are inherently transient. Altering the payment period could have unintended consequences for these LDCs. For example, their ability to settle with the Independent Electricity System Operator (IESO) for the Cost of Power at the end of the academic year could be compromised, when students may perceive that non-payment has no consequence.

If this proposal is considered appropriate the EDA proposes that it be subject to a thorough cost-benefit analysis.

ALLOCATION 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?**

   The current rules are acceptable, are working well and reflect commercial terms and conditions of other industries. For those customers who are affected by the allocation rules, LDCs must be prepared to respond to their questions and, in the worst case, resolve their complaints. Any changes to the allocation rules could give rise to incremental costs, especially for those distributors who have contracted with 3rd parties.

   It is valuable for the customer service rules for electricity distributors to be aligned with those observed in other industries. It is important for customers to recognize that the electricity bill needs to be paid like all other bills and that there are consequences to them if it is paid last - or not at all.

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

   Under the scenario of allocating partial payments in accordance with customer requests, LDCs would be obliged to reconfigure their CIS, potentially at significant cost. There is also the potential for adverse impacts on distributors' cash flow and bad debts if amounts paid can no longer be allocated first to past due electricity charges and then current electricity charges, but instead are to be applied first to other services (e.g., water and wastewater charges).

   If this proposal is considered appropriate the EDA proposes that a cost/benefit analysis be performed.

EQUAL MONTHLY PAYMENT AND EQUAL BILLING PLANS

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

a. Residential customers enrolled with electricity retailers

Equal Billing Plans (EBP) and EPPs are two separate offerings. EPPs equalize estimated annual electricity costs across a twelve-month timeframe. Typically, LDCs find that EBP are more difficult to administer and to incorporate in existing CIS. Presently, EBP is only required to be offered to low-income customers. Some LDCs currently provide the EPP option to retailer supply customers.

The EDA requests that any review of these offerings be considered separate from each other to ensure that the issues and costs of expanding offerings are properly identified.

b. All general service <50kW customers

Some LDCs expressed concern over the cost to administer and monitor equal payments for this customer class. LDCs pointed out that should a GS<50 kW customer fail financially that the unpaid portion of the bill could represent a significant amount. While some LDCs are currently providing EPP to these customers it is not clear if any LDC is providing EBP to those who are with a retailer.

DISCONNECTIONS 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?

All LDCs work diligently with their customers to avoid disconnection. As a last resort, LDCs should be able to disconnect customers, including residential and GS<50 customer, for non-payment reasons.

LDCs find the 10-day period acceptable. EDA LDC members suggested that consideration be given to extending the timeline after the disconnect notice has been provided to the customer. They observed that this would permit more time to work with the affected customer (e.g., to develop payment arrangements) and would also avoid having to restart the disconnection process if the customer defaults on arrangements. It was noted that extending the notice period could require adjustments to other aspects of the collection process in order to avoid overlap between the collection process for the current month's bill with the processing of the next month's (or a subsequent) bill.

Distributors seek effective strategies to manage customers who agree to but do not honour negotiated payment schedules, other than disconnection.

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?

All LDCs make their customers aware of the time requirements and options for them to either remit payment or to make mutually acceptable payment arrangements for the electricity that has been provided to them. All LDCs also make their customers aware that non-payment or non-fulfillment of payment agreements puts them at risk with respect to the ongoing provision of service. LDCs are very motivated to collect from and work with their customers as opposed to disconnecting them.

Many LDCs observed that at the end of last winter's moratorium many customers were in arrears for amounts they were simply unable to manage. This unintended consequence is both undesirable and could have been avoided if, for example, distributors had been able to deploy load limiters. Please see Attachment B to the EDA's comments for a discussion of the ongoing use of load limiters and other comments related to the Moratorium.

There are alternatives to a Moratorium like the one that was ordered last winter. For example, low income residential customers (e.g., those eligible for the Ontario Electricity Support Program) could be exempted from disconnection for reason of non-payment during a defined winter period (e.g., that ends effective March 15 or March 31) while all other customers would, as a last resort, continue to be subject to disconnection for non-payment. Alternatively, LDCs should have discretion in applying Specific Service Charges (SSC) related to non-payment, especially in the case of first time non-payers, so that amounts in arrears are more manageable. Another alternative may be achieved by using today's communications technology to notify customers that they have exceeded a previously established threshold and to advise them of their options.

LDCs propose that prior to imposing a Moratorium in future, the associated rules and parameters should be appropriately stakeholdered. Social agencies who may experience increased requests for financial support – and who could potentially be unfavourably impacted – the EDA as well as all other channel partners should be proactively engaged in scoping and analyzing the associated outcomes, consequences and implications.

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?

In general, LDCs objected to this option observing that waiving SSC related to non-payment results in the increased socialization of certain costs to all customers, and strays from cost causality. As noted in the response above, other LDCs proposed discretion in applying SSC related to non-payment, especially in the case of first time non-payers, so that amounts in arrears are more manageable for the customer.

Among other things, OEB authorized distribution rates are expected to be free of undue cross subsidization. The EDA notes that when electricity distributors act on the discretion to waive charges related to non-payment it, by necessary implication, results in a cross subsidy between the subset of customers who are poor payers and the subset of customers who are good payers.

The EDA also points out that waiving charges impacts revenues of the period. This reduction in revenues could result in an impact to a distributor's ongoing financial viability, and frustrate the OEB's ability to fulfill one of its legislated objectives.

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.?

LDCs expressed concern with the efficacy of APAs and questioned the continuing provision of them. If APAs are to be offered on an ongoing basis then the duration and the allowed number of defaults should be reviewed and consideration should be given to allowing LDCs to deploy load limiters in certain cases until such time as the subject customer eliminates the amount in arrears. LDCs consider the ability to negotiate mutually acceptable payment plans valuable, and that frequent customer notifications (e.g., of the balance outstanding, available payment options, possible consequences of non-payment such as the deployment of a load limiter or disconnection) may be more effective than entering into and administering an APA.

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

LDCs expressed concern with the efficacy of APAs and questioned the continued provision of them. LDCs propose that they continue to work with their GS<50kW customers and manage payment of arrears according to current rules. The EDA reiterates that the disconnection process helps to ensure that good paying customers are not unduly impacted by those customers who are incapable of remitting payments. Some LDCs observed that providing an APA to a general service <50kW customer is preferable to writing off an amount to bad debt while other LDCs expressed that, if APAs are to be offered to GS<50 kW customers, that it should according to the same terms as they are offered to residential customers.

SECURITY DEPOSITS

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

a. Residential customers

LDCs were clear that they consider deposits the utility's only financial mitigation in the event of default and that they should be retained for the life of the account. Many LDCs expressed that deposits should not be refunded or credited to a customer's account prior to disconnection. It was noted that it was acceptable to subtract the deposit on hand from the amount due so that the customer was removed from the delinquency process and not disconnected - assuming the deposit covered their balance outstanding.

b. General service <50kW customers

Due to the additional risk of commercial customers, LDCs recommend that deposits continue to be required and continue to be held, ideally for the life of the account. Due to the risks in the commercial sector and changing customer preferences there is constant risk of default.

ADDITIONAL COMMENTS

14. Are there any other comments and/or recommendations for consideration? If yes, please provide them under the heading "Additional Comments".

1) Please refer to the EDA's analysis of last winter's Moratorium against disconnection for non-payment by residential customers and proposed options for consideration provided at Attachment B.

2) LDCs propose that consideration be given to the ongoing appropriateness of LDCs bearing the financial consequences and managing the risks of collecting bills for all channel partners (e.g., the IESO, Hydro One Networks Inc.) and that LDCs be authorized to retain the portion of remittance that covers distribution costs and to equitably share the residual balance.

3) LDCs propose that the DSC clearly address the rules governing non-payment by tenants, and, landlords' responsibilities in these situations.

4) Some LDCs expressed a concern over customer service rules that cater to a small group of repeat offender customers and transfer cost responsibility (i.e., collections costs, bad debt) to a larger group of customers.

5) LDCs require discretion over how they interact with their customers when dealing with collections (e.g., to be able to provide a little extra time to the customer who normally pays on time and in an isolated instance cannot remit payment in full and on time).

6) Some LDCs seek the ability to apply arrears incurred by a customer at a specific location to any future accounts created for service at different premises for the same customer.

7) Load limiters can be deployed to achieve equitable outcomes and distributors should be able to deploy them at all times. LDCs should have full discretion over their deployment in order to assist in engaging and motivating customers to work through arrears while simultaneously keeping costs at manageable levels.

8) LDCs are in the business of providing distribution service and charge for this service at regulated rates. While LDCs are not in the business of disconnecting customers, LDCs manage bad debt risk responsibly as a way to avoid unduly impacting the rates for all other customers. LDCs rely on the disconnection option to be able to motivate customers (e.g., to work with the LDC to establish mutually acceptable payment arrangements) and act on it as last resort.