

ONTARIO ENERGY ASSOCIATION

Review of Customer Service Rules for Electricity and Gas

EB-2017-0183 Submission

July 12, 2017

To shape our energy future for a stronger Ontario.



Ontario Energy Association

ABOUT

The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research, but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

Together, we are working to build a stronger energy future for Ontario.

SUMMARY AND KEY RECOMMENDATIONS

The Ontario Energy Association (OEA) is pleased to provide this submission on the Ontario Energy Board's (OEB) review of its customer service rules for electricity distributors, rate-regulated natural gas distributors and unit sub-meter providers.

The OEA will specifically focus on the issue of disconnection for non-payment. The OEA recognizes that the disconnection of a customer is a serious step with a significant impact on a customer's lifestyle. Ontarians require gas and electricity for essential services. Disconnection is not to be taken lightly and should be avoided whenever possible.

We understand that the OEB had to move quickly to implement interim disconnection for non-payment rules (e.g., banning winter disconnections and the use of load limiting devices) following the passing of the new *Protecting Vulnerable Energy Consumers Act, 2017* (the Act). However, there is an opportunity now to work with the sector to develop rules that meet the government's policy objectives, through an open, fair, and transparent process based on the best available evidence. The end result should be a policy framework that protects customers while also allowing utilities to manage bad debt prudently and keep costs low for all customers.

We have three suggestions that we think need consideration before enduring requirements are established with respect to disconnections for non-payment.

The OEA is making the following key recommendations:

Recommendation 1: Exclude business customers from the winter disconnection policy

The OEA observes that the Act grants the OEB the ability to ban the disconnection for non-payment of a broad range of customers that goes far beyond prohibiting utilities from disconnecting residential and vulnerable consumers (i.e., the elderly, consumer with medical conditions and/or medical equipment, low income households).

A "low-volume consumer" of electricity is a consumer who uses less than 150,000kWh/year.¹ However, according to the OEB, a typical residential electricity consumer uses 750 kWh/month (9,000 kWh/year).²

¹ <https://www.ontario.ca/laws/statute/s02023>

²

http://www.ontarioenergyboard.ca/oeb/Documents/Documents/Report_Defining_Typical_Elec_Customer_20160414.pdf

Similarly, a “low-volume consumer” of gas is a consumer who uses less than 50,000 cubic metres per year.³ According to OEB data, a typical residential consumer uses between 2,000-2,400 cubic metres per year, depending on their gas utility.⁴

The OEA is of the view that it is the government’s intention that the OEB focus its policies on protecting residential customers from losing home heat in the winter, and not design rules to prohibit the disconnection of business customers for non-payment. Prohibiting the disconnection of low-volume industrial and commercial customers would likely greatly increase the costs of a disconnection ban that will be ultimately borne by natural gas and electricity ratepayers.

Further, there is also the risk that some customers may take advantage of the rules by refusing to pay their energy bill, knowing that they cannot be disconnected. In such cases, it must be recognized that the ability to disconnect a consumer for non-payment is an effective tool for providing an incentive for customers to pay their bill.

To the extent that the OEB may be considering such a policy, the OEA believes that the exercise of any new authorities should occur through an open, fair, and transparent process based on the best available evidence.

A starting point for discussion of a policy change would be a review of the existing data to assess what the current state of business customer non-payment disconnections are, followed by an examination of the potential impact on bad debt expense resulting from a disconnection ban. To that end, the OEA is including with our submission two reports from the United Kingdom related to disconnection and bad debt (one is related to the water industry, the other addresses electricity and gas).

Recommendation 2: Focus on heating

The clear goal of the government’s policy on disconnection has been to ensure that residential customers are able to heat their homes during the winter months. Therefore, any ban on disconnections for non-payment should apply exclusively to customers who would lose the ability to heat their residence in the event of disconnection.

For example, there are many multi-unit residential buildings that are suite metered for electricity with the residents billed directly for their electricity consumption; however, the building’s common elements and individual suites are heated centrally using

³ <https://www.ontario.ca/laws/regulation/030328>

⁴ NRG: http://www.ontarioenergyboard.ca/oeb/Documents/QRAM/qram_NRG_20161001.pdf
Enbridge: http://www.ontarioenergyboard.ca/oeb/Documents/QRAM/qram_enbridge_20161001.pdf
Union: http://www.ontarioenergyboard.ca/oeb/Documents/QRAM/qram_union_20161001.pdf

natural gas with residents not being billed directly by the utility. As a result, disconnecting an individual customer's suite for non-payment of electricity will have no impact on their ability to heat their residence.

Unnecessarily implementing a disconnection for non-payment ban for those who are not using the particular energy source to heat their homes will lead to increased bad debt costs. Ultimately, these costs will be borne by other ratepayers. In the current public policy environment in Ontario, where keeping energy costs low is a public policy priority, making sure the policy is focused where it is needed and not unnecessarily broad is in keeping with the government's objectives and with public expectations of the OEB.

Further, to initiate a universal disconnection for non-payment ban will result in an inconsistent policy that does not serve the public interest. For example, the OEB would have to answer the question as to why disconnections for non-payment are allowed in the summer for electricity/natural gas, but not in the winter, when the fuel source in question is not being used for heat.

Recommendation 3: Load limiters and timers should be permitted

The OEB's February 23, 2017 Decision and Order Amending Electricity Distributor Licences to Prohibit the Disconnection of Residential Customers and Related Matters⁵ took the step of not only prohibiting the disconnection of residential customers for non-payment for the balance of the 2016/2017 winter, but also went as far as prohibiting electricity distributors from installing "a load limiting device in respect of a residential customer's premises solely by reason that the customer is in arrears on the payment of their electricity bill."

The OEB's decision did not give any reasons for prohibiting the installation of load limiters.

The OEA notes that load limiters and timers are useful tools that allows electric utilities to meet the legislative policy goals of maintaining heat for residential customers, while at the same time managing debt by mitigating the amount of arrears a customer can accumulate. Any inconvenience experienced by a customer related to the limiting of non-heat electricity consumption would be the same as they would experience in the summer months.

Therefore, there is no consistent policy rationale for having a different policy for the use of load limiters for non-heat electricity consumption in the winter versus other

⁵ <http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/562726/view/>

seasons. The inconvenience experienced by the customer is what promotes bill payment, keeps bad debt costs lower, and therefore reduces costs borne by other ratepayers. Further, encouraging consumers to continue making payments towards their bills mitigates the risk they will be overwhelmed with a large bill and potentially face full disconnection when the disconnection ban period ends.

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