



Niagara-on-the-Lake Hydro Inc.

November 3, 2014

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: EB-2014-0227 Development of an Ongoing, Ratepayer Funded, Electricity Bill Assistance Program

Dear Sirs:

On behalf of Niagara-on-the-Lake Hydro (“NOTL Hydro”) I am pleased to provide our written comments on the Ontario Electricity Support Program (“OESP”) as outlined in your letter dated October 23, 2014. These comments will address issues NOTL Hydro has with OESP and not the specific questions detailed by the Ontario Energy Board (“OEB”) in the letter.

As a local distributor, NOTL Hydro is very aware how the overall cost of electricity has risen over the past number of years and how this cost is a burden on low income consumers. NOTL Hydro has focused on managing its share of this cost and we are pleased we have the lowest delivery charge in the Niagara Region despite being the smallest distributor.

We therefore understand why the Minister of Energy would like to provide assistance to low income residential consumers on their bills. However, NOTL Hydro does not believe that OESP is the optimum means of delivering this benefit. It is the view of NOTL Hydro that OESP distorts electricity pricing and therefore energy decision-making, is an overly costly approach to providing assistance, creates potential privacy issues for low income residential consumers and has significant fraud potential. We will examine each of these issues in more detail below.

NOTL Hydro encourages the Ontario Energy Board, in the interests of protecting all ratepayers and in ensuring an efficient and cost effective electricity system, to recommend to the Minister that other means of delivering this assistance to low income residential consumers be considered; particularly a refundable tax credit.

New Rate Class

The following discussion makes the assumption that a new rate class would need to be created within the customer information system used by the distribution utilities to track which ratepayers receive the OESP benefit. This is a system requirement of any billing system where a new group of specific customers are to have a billing adjustment on an ongoing basis.

Program should not be Ratepayer Funded

The electricity system in Ontario is largely self-contained from a revenue/cost perspective. All the generation, transmission, distribution, regulatory and system management costs, including stranded debt, are included in the determination of prices to be paid by the ratepayers. Great efforts are made by the regulators to protect the electricity consumer from unrelated costs. The Ontario Energy Board, as part of its rate setting process, also tries to allocate the system costs as fairly as possible to all customer classes based on their demands on the system.

Creating a new customer class of low income residential consumers will distort the above paradigm. Other customer classes will be explicitly subsidizing the low income residential consumers. This therefore creates the potential of decision making of energy use being distorted by cost signals that are not a true function of generating and delivering electricity.

OESP is social policy. It is worth noting that the previous price assistance program, the Ontario Clean Energy Benefit ("OCEB") was paid for out of general taxation revenues as it was also a social policy. OESP is intended to replace OCEB but in a more targeted manner. NOTL Hydro encourages the Minister of Energy to also pay for OESP out of general taxation revenues.

NOTL Hydro is also concerned about potential future requests for bill assistance created by this precedent. Industries, regions, consumer groups all seek to have their cost of electricity mitigated. Creating a special rate class for one group creates the potential for more to be created over time, further distorting energy pricing.

Costly Approach to providing Assistance

Providing a discount on an electricity bill sounds simple in theory. In practice, it will be a costly program to implement and manage. Consumers qualifying for OESP will need to be identified and monitored for ongoing eligibility, fraud prevention measures will be required, system configuration changes will be required to provide the discount and manage the consumers in the new rate class and the funding and reconciliations of the payments will need to be managed. The cost of this will be added to the bills of all other ratepayers.

NOTL Hydro recommends that a refundable tax credit be created instead. Although this does not provide the direct linkage in the minds of the consumer, it is relatively inexpensive to administer, can be targeted based on income already tracked through the tax filing system and will benefit from the checks and balances of the processes of the Canada Revenue Agency.

Privacy Issues

Electricity distributors do not need information on their customers other than that required to provide and bill for electricity. The Low-Income Energy Assistance Program ("LEAP") was designed so that ratepayers would be approaching a social agency and not the distribution utility. At the very least, OESP would require distributors to record low income ratepayers as part of the new rate class so that the billing adjustment can be made. If the role of the distributor is more extensive then the private information potentially being maintained (income, household income, number of residents at an address, etc.) becomes more extensive. While distributors safeguard the privacy of their ratepayers carefully, the more information that is kept the greater the risk of a privacy breach.

Consumers can also be hesitant to apply for benefits such as the OESP if that required disclosing personal private information. This may reduce the effectiveness of the program and create issues about availability.

The payment of the financial assistance benefit through a different mechanism, such as a refundable tax credit, removes the obligation of the distributor to track and maintain this information and makes the program equally available to all low income residential consumers.

Fraud Potential

Electricity distributors bill their customers based on the address of the building and its rate class. The name on the account can be changed by agreement of the account holder and the person to whom the account is being transferred (Distribution System Code 2.8.1). This creates the potential for abuse as there is little to prevent accounts being transferred to individuals who qualify for assistance under the OESP.

NOTL Hydro's recommendation of a refundable tax credit would prevent this potential abuse.

Conclusion

NOTL Hydro recognizes that the OEB is responding to the directive as received from the Minister of Energy in his letter dated April 23, 2014. However, the Minister has asked for advice from the OEB. NOTL Hydro hopes the OEB will take the opportunity to provide advice beyond the limited scope set out in the Minister's letter.

Yours truly,



Timothy B. Curtis
President