February 19, 2015

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

via RESS and email

Dear Ms. Walli:

RE: EB-2014-0198 Proposed Amendments to the Distribution System Code: Billing Frequency, Estimated Billing, and Billing Accuracy

On September 18, 2014 the Ontario Energy Board (the "Board" or "OEB") posted the *Draft Report of the Board on Electricity and Natural Gas Distributors' Residential Customer Billing Practices and Performance* (the "Draft Report"). On October 9, 2014, the Coalition of Large Distributors ("CLD")[1] filed comments (the "CLD Submission") on the Draft Report with the Board. On February 5, 2015, the Board issued its Proposed Amendments to the Distribution System Code ("DSC") relating to: Billing Frequency; Estimated Billing; and Billing Accuracy (the "Proposed Amendments").

This is the submission of the CLD regarding the Proposed Amendments. The submission has been filed via the Board's web portal and two (2) requisite paper copies have been couriered to the Board.

Billing Frequency

In the Proposed Amendments, the Board has extended the deadline for implementing monthly billing from January 1, 2016 to December 31, 2016, while also including the General Service <50 kW customer class in the mandated transition. The CLD appreciates the extended implementation deadline, and provides the following comments on the costs associated with transitioning to monthly billing, as well as a request for clarification on the Board's definition of billing on a monthly basis.

Anticipated Costs

The Board's Proposed Amendments provided limited commentary on the costs of this initiative. By contrast, the estimated impact of transitioning to monthly billing was discussed at length in the CLD Submission, which provided the: incremental capital costs; one-time and temporary operating costs; and recurring operating costs involved in implementing monthly billing for residential customers. The anticipated increase in ongoing operating costs for each member of the CLD ranged from $0.8 million per year to $6.1 million per year. The anticipated implementation costs for each member of the CLD ranged from $0.5 million to $8.36 million.

[1] The CLD is comprised of the following electricity Local Distribution Companies ("LDC"): Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, Hydro Ottawa Limited, PowerStream Inc., Toronto Hydro-Electric System Limited, and Veridian Connections Inc.

These estimates will inevitably be even higher now that the Proposed Amendments will also apply to General Service < 50 kW customers.

In the Proposed Amendments, the Board identified its expectation that the incremental costs of transitioning to monthly billing would be mitigated by improved cash flow. The CLD submits that this expectation was never substantiated with supporting data, and that in any case the benefit of improved cash flow goes to customers in the form of a lower Working Capital Allowance ("WCA"). Each member of the CLD has estimated that the impact on revenue requirement of the transition to monthly billing for their respective utility could be a reduction in the range $0.4 million to $1.9 million due to reduced WCA. The distributor is impacted twice: first, through the reduction in WCA; and second through increases in one-time and ongoing operating costs, which are not captured in revenue requirements and will be greater than any associated benefit of the reduction in the WCA. The CLD urges the Board to consider these significant impacts to the distributor.

The Proposed Amendments also suggest that the expanded use of e-billing and potential reductions to customer arrears could lead to a reduction in collection costs and bad debts. Hydro Ottawa Limited ("HOL") has recently transitioned to monthly billing in 2014 and has not realized the cost reductions that the Board's Proposed Amendments contemplate. Specifically, based on the HOL experience to date:

- **Customer Call Volumes:** – A comparison of the customer call volumes from 2013 (prior to the HOL transition to monthly billing) and 2014 (with the monthly billing transition) resulted in the same call volume for both years (adjusting for the transition period which had a significant increase in call volumes). The CLD takes this as evidence that transitioning to monthly billing will not result in a decrease of call volumes, as the Board asserts.
- **Collection Costs and Bad Debt:** – HOL has no evidence that collection costs or bad debt have been reduced in any material manner because of the transition to monthly billing. The CLD submits that there is no evidence to support a view that a reduction in collections costs and bad debt costs will be material enough to offset the costs of transitioning to monthly billing.

The CLD continues to undertake active promotional marketing campaigns to increase the uptake on E-Billing. Despite these efforts by CLD members to encourage customers to move to e-billing, on average, only 14% of CLD customers are currently billed in this manner. This number is largely comprised of the customer base most likely to transition to e-billing; any further increases will continue at a slow pace, over time.

The CLD is disappointed to see that the Board's Proposed Amendments have not considered the significant impact that this transition will have on a distributor's operating costs and revenue requirements. The CLD Submission suggested that should the Board mandate monthly billing for residential customers, prudently incurred costs resulting from the change be recoverable from customers in a timely manner. Failure to permit the recovery of prudently incurred costs as a result of such a mandated regulatory change offends the Fair Return Standard[2]. As a result, the CLD proposes that the Board allow distributors to track the net impact on revenue requirement associated with the implementation of the monthly billing initiative in a sub account of 1508, for disposition at a later date.

[2] EB-2009-0084 *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, Section 3.1, page 15

Definition of Billing on a Monthly Basis

Section 2.6.1A of the Proposed Amendments identifies billing of customers "on a monthly basis". The CLD seeks confirmation that "on a monthly basis", as identified in the aforementioned section of the Proposed Amendments, means bills for one month of consumption, and not necessarily one bill in each calendar month.

This distinction is particularly relevant for bill estimation issues. As an example, if a customer receives a bill dated April 30th for consumption between the dates of March 30th and April 29th, their next bill should be dated May 30th. However, in the event of a meter communication failure, the meter may not be read until two days later, i.e., on June 1st. The customer would receive their next bill dated in June. If distributors are expected to issue a bill to every customer in each calendar month, estimating consumption will be necessary (i.e., prioritizing bill issuing schedules over data accuracy). The CLD requests that the OEB confirm that section 2.6.1A refers to 12 one-month periods of consumption, regardless of the actual billing dates. The CLD submits that this is the preferable interpretation.

Estimated Billing - Limit on Number of Instances

The CLD Submission identified that it would be unreasonable to require that all customers' bills be based on actual meter reads because the conditions necessary to permit 100% accurate meter reads are beyond the reasonable control of the distributor. The Proposed Amendments fail to recognize these obstacles and restrict the operational flexibility necessary to: ensure customers receive regularly-paced bills; and allow distributors to collect revenues for services provided

Number of Estimated Meter Reads

The Board has identified in the Proposed Amendments that it expects customers to be billed based on estimated data no more than once in a twelve month period. The CLD submits that there are various circumstances where it may be necessary to bill a Residential or General Service < 50 kW customer using estimated data, more than once in a twelve month period, through no fault of the distributor. Similarly, even identified failed meter problems may legitimately require more than one billing period to fully resolve.

The following situations are beyond the reasonable control of the distributor and could result in the need for an estimated meter read:

- Extreme weather events may cause a meter failure, or meter tampering that causes the meter or the communications link to fail may all result in no transmission of usage data;
- A customer controlled fuse could blow or the service could be turned off which would then result in zero usage being recorded. This would necessitate a field visit by the Meter Department and an estimated bill; and
- Access to the customer's premise may not be made available for months, limiting the distributor's ability to resolve a meter issue (e.g., "snowbirds" or other extended customer absences, customer resistance, etc.).

These situations should be exempt from any Board-mandated estimated billing limits.

Further, the CLD interprets the intention of these Proposed Amendments to be to minimize the risk that customers will be provided with estimated bills for an extended period of time and then subsequently receive a substantial true-up bill once the actual meter reads are retrieved.

The CLD submits that, in order to address this issue, it is more appropriate and effective to limit the number of permitted consecutive estimated bills. This would ensure that a distributor appropriately responds to any missing meter reads, while allowing the distributor to use estimated meter reads in situations in which they are genuinely warranted. The CLD suggests that section 2.10.2 be revised to read:

> ***2.10.2*** *Despite 2.10.1, to account for exceptional circumstances, a distributor may issue a bill to a residential or general service < 50kW customer with a smart meter or interval meter based on estimated consumption for no more than three consecutive months.*

The CLD requests clarification from the Board on how to proceed in an instance where the distributor lacks the meter data for a subsequent month but has already issued the permitted number of consecutive or annual estimated bills. The CLD submits that sending additional estimated bills in such an instance is still preferable to delaying further billing until an actual meter read can be obtained.

Definition of Estimated Consumption

The CLD interprets the Board's Proposed Amendments of "estimated consumption" to apply to instances where an estimated meter read has been used as the basis for a Residential or General Service < 50 kW customer's billed consumption, rather than instances where the estimation has occurred to fit a customer's consumption into the appropriate Time of Use ("TOU") bucket. Estimation of usage due to power outages or temporary communications disruptions is common in Smart Metering systems and is managed through the Validation, Editing and Estimation ("VEE") protocols contained within the Meter Data Management and Repository ("MDM/R"). A definition of estimated consumption, in the context of section 2.10.2 of the Proposed Amendments, is required.

Estimated Billing - Limits on Disconnection

The CLD has serious concerns with the Proposed Amendments prohibiting a disconnection for non-payment based solely on an estimated bill. Fundamentally, it will be very difficult if not impossible to code this provision into billing systems (as there is no practical way of distinguishing between estimate-based arrears and actual-based arrears). The CLD believes that, given the proposed amendments limiting the number of allowable estimated bills and the Bill Accuracy metric, this requirement is excessive and will involve considerable effort and resources to implement, with little incremental benefit to customers.

However, if the Board nonetheless decides to implement this provision, the CLD requests confirmation that a subsequent correct bill would negate the status of a previously estimated bill for the purpose of this provision. It is the CLD's understanding that the provision is meant to apply to arrears originating from an estimated bill, only if that estimated bill was the last bill issued to a customer. That is, if an estimated bill is in arrears, and a subsequent correct bill is issued that adjusts for the previous estimate, any outstanding arrears from the estimated bill may then trigger a disconnection in the normal course.

Billing Accuracy

The CLD requests that section 7.11.3 be updated to also exclude power generation accounts (e.g., FIT/microFIT), as was identified in Board Staff's August 2014 presentation to distributors. The CLD suggests revising 7.11.3 to read:

__7.11.3__ A distributor should not include customer accounts that are unmetered (e.g., street lighting, unmetered scattered loads) or power generation accounts (e.g. FIT, microFIT) when calculating the percentage of accurate bills.

The CLD also requests confirmation that "Correct meter readings'" presented in the definition for Bill Accuracy refer only to the end register reading. Once an end register reading is obtained and presented on a bill, the bill should be deemed accurate. If, alternatively, the definition refers to both the start and end readings, then by definition every estimated reading would result in two inaccurate bills. Depending on the definition used for the purposes of the estimated bill provision, it is possible that the currently proposed requirement of no more than one estimated bill every twelve months would be unachievable.

Conclusion

The CLD appreciates the opportunity to comment on the Proposed Amendments. If there are any questions or concerns, please do not hesitate to contact the undersigned.

Yours truly,

[*Original signed on behalf of the CLD by]*

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