Meeting #4 - Conference Call Summary Notes

Meeting Date & Time: November 15, 2017 (1:30 pm – 3:30 pm)
Location: Teleconference meeting
Attendees:

Electricity Distributors		
1	Guelph Hydro	Krista Perry
2	Hydro Ottawa	April Barrie
3	London Hydro	Martin Benum
4	Veridian Connections	Kyle Brown
Natural Gas Distributors		
5	Enbridge Gas	Rob DiMaria
6	Union Gas	Tom Byng
Energy Retailers		
7	Ag Energy Co-operative	Katie Morrow
8	Just Energy	Frances Murray
9	Summitt Energy	Jeff Donnelly
OEB Staff		Pascale Duguay, Vince Mazzone, Michael Bell, Judy But
Regrets		Danny Relich (Hydro One)

Introduction

- OEB staff welcomed working group members to the teleconference and noted that the main purpose is to further discuss the costs that electricity and natural gas distributors incurred to provide services to energy retailers.
- The breakdown of annual costs provided by distributors were shared with all working group members prior to the teleconference. Distributors used a matrix developed by Hydro One to categorize the costs incurred into four categories (customer service organization, IT application, application support and finance) and to determine the fixed and variable proportions of each cost.

Distributor Data

- The first part of the teleconference was spent reviewing electricity distributor data, while the second part focused on costs in relation to the notice of switch letter for both electricity and natural gas distributors.
- Distributors presented their cost matrix and quantum of the costs incurred. Some electricity distributors were able to quantify the amount of under-recovery in revenues collected relative to incremental costs incurred based on past year's

expenses Generally a 50% rate of under-recovery is experienced by most working group electricity distributors, with the current level of retail service charges in place since 2002.

- The doubling of the current charges for electricity distributors was discussed as an option to update to the charges. It was also noted that an update to the charges is important, given the risk of declining revenues from a falling retailer customer base and expenses that continue to be fixed for distributors to maintain a system for energy retailers. Doubling of the charges would be administratively simple and not cumbersome for retail service charges that are relatively small as a percentage of total revenue offsets.
- Working group members agreed that the user pay principle continues to remain appropriate.
- Energy retailers expressed concern with the potential attribution of costs to retailers, particularly from call handling costs if distributors did not specifically track retailer customer calls. It was broadly discussed that even if there were non-retailer calls, the number of these instances could be small.
- Another potential issue brought forth by energy retailers was that common costs such as infrastructure system costs benefiting both retailers and non-retailer customers was a shared cost, and therefore, should not be solely attributed to retailers.
- Energy Retailers supported the need to do a deeper dive of the costs submitted by electricity distributors to better understand the costs incurred by LDCs to serve retailers.
- OEB staff noted the possibility of escalating the existing service charges by the fixed and variable proportions of the costs to alleviate the doubling of the rates.
- For the notice of switch letter, each electricity and natural gas distributor provided its respective cost per letter, which ranges from $1.00 to $3.00 per letter.

<u>Other</u>

- At the conclusion of the teleconference, OEB staff noted that written submissions would be allowed prior to the drafting of an OEB draft report based on the topic list discussed in prior meetings.