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May 8, 2006

Mr. John Zych
Board Secretary
ONTARIO ENERGY BOARD
P. O. Box 2319
2300 Yonge Street
Suite 2700
Toronto, ON M4P 1E4

Dear Mr. Zych:

Re: Proposed Amendments to Standard Supply Service Code – RPP Variance Recovery (RP-2004-0205).

Direct Energy appreciates the opportunity to comment on amendments proposed to the Standard Supply Service (SSS) Code.

The proposed amendments are intended to address the situation in which customers who have elected competitive retail electricity supply move between LDC service territories. As a result of current limitations in utility systems, these customers are temporarily returned to Standard Supply Service at their new location. Such customers are subsequently re-enrolled with their chosen retail supplier. In the process of coming off SSS and back to their previously chosen retail supply arrangements following their move, these customers are inappropriately billed or credited for a final RPP Variance settlement.

The proposed amendment would require LDCs to refund or charge such variance settlements to customers who advise the LDC within 3 months that they are returning to a pre-existing retail supply arrangement. The OEB has also put forward an alternative means to address this issue.

Direct Energy submits that the proper solution for misapplied RPP Variance settlements, and other issues connected with interruption of chosen retail supply for a customer who moves premises, is to institute true “seamless” moves for customers who move between LDC service territories. That is, such customers should be enrolled with their previously chosen retail supplier effective on their move in date to their new premises. No interruption of retail service should occur.

Pending development of the appropriate transactions and associated business standards to affect true “seamless moves” for affected customers, Direct Energy prefers the alternative proposal outlined in the Board’s Notice of Amendment. Under that alternative proposal, application of the Final RPP Variance Settlement would be delayed for a certain period following a new customer account set-up to allow the retail re-enrollment processes to occur. There would not be any RPP settlement charges to retailer customers who move premises, and these customers would not then bear the onus of seeking to have such charges reversed.

We do, however, see two potential issues with this alternative proposal. First, it is not clear whether the LDCs can cost effectively implement and manage this process. We presume that the LDC’s may provide some comments in this respect. Second, new enrollments who were not already on competitive retail supply may thus escape the Final RPP Variance charge, which would be inappropriate. Some additional thought would have to be given as to how to avoid this result.

Should the amendment proposed in the Boards notice be adopted, Direct Energy urges the Board to change the “grace period” set out in proposed Section 3.7.4 (b) from three months to six months. Customers may not be aware that their retail customers status did not automatically transfer with them when they moved. The interruption of retail service may not become apparent to such customers until they receive their first bill from their new distributor. Only at that point would the customer become aware of the Final RPP Variance charge, and only on a subsequent bill would the customer receive confirmation that their pre-existing retail supply arrangements have been re-instated. LDCs have different billing cycles and read dates, and the new distributor may not get a bill out to the customer within the three month period. To address these timelines, Direct Energy suggests that the proposed “grace period” be set at twenty-four months, which is the current time allowed for EBT corrections to be processed.

While not directly related to the amendment immediately proposed, Direct Energy notes that there may be other instances in which the final RPP settlement variance is not appropriately charged. In particular, a retail customer, for a variety of reasons, may return to SSS within the RPP period during which they left. In this instance, the returning customers should have a refund, though reduced pro-rata by the time during which they were off the RPP (and thus not paying their share of the previous period variance). Upon their return to the RPP, they would receive a refund of any Final RPP Variance funds paid for months not yet passed, and commence payment of their share of the previous period variance as part of their RPP rates. Direct Energy urges the Board to consider these instances and the appropriateness of a subsequent SSS amendment, or some other method of directive or procedural clarification to the market.

Yours sincerely,
DIRECT ENERGY

Per:



Christine Dade
Manager, Government & Regulatory Affairs – Eastern Canada

