

November 21, 2003

BY COURIER

Mr. Paul Pudge
Assistant Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor
Toronto, Ontario M4P 1E4

Dear Mr. Pudge:

Re: Consumer Security Deposit Policies, Board File No.: RP-2002-0146

Further to the Board's November 10th invitation for comments on its proposed Consumer Security Deposit Policies for electricity distributors, we are pleased to share our views on the most recent amendments. As requested, we have included two paper copies and one electronic copy of this submission.

Before commenting on specific sections of the proposed code, we wish to re-affirm our concern with the mandatory requirement for 100% deposit refunds to most customers larger than 50kW after a period of good payment history. As requested, we will not re-state the reasons for our concern in this submission. They are documented in our earlier filing dated July 8, 2003. However, it is for these reasons that we strongly urge the Board to consider revising its proposal for two sub-classes for non-residential customers > 50 kW.

The current proposal would see the sub-class of non-residential customers between 50 kW and 5 MW receive 100% of a deposit refund upon achieving 7 years of good payment history. For customers larger than 5 MW, the security deposit refund would range from 50% to 100% depending on the customer's credit rating status.

It continues to be our view that LDCs ought to be permitted to retain security deposits for all customers for which there is evidence of credit risk. However, if this is to be restricted, the threshold of 5 MW is clearly too high. This proposal would result in substantial new credit risk to LDCs; a credit risk that is likely to be borne by all LDC customers. Therefore, we suggest that a more reasonable balance would be to set the threshold at 2 MW, and permit LDCs to apply the credit rating test when refunding security deposits for customers above this size.

We will now proceed with our comments on individual sections of the proposed code. Note however, that we have not suggested language amendments to achieve the revised non-residential sub-classes as suggested above. We will leave this to the discretion of Board staff:

Date: November 21, 2003

Page 2

Addressee: Mr. Paul Pudge

Re: **Consumer Security Deposit Policies, File No.: RP-2002-0146**

Section 2.4.12

We have two concerns with the proposed language in this section. First, the reference to “usage information” for the purpose of calculating deposit amounts should be expanded to read “*relevant* usage information”. This is important as historical usage information at a particular service location is often not relevant to future consumption patterns. For example, an LDC should not be obligated to base the security deposit of a new injection moulding facility on the warehousing use of the same space by a prior tenant.

Our second concern relates to the requirement that LDCs must calculate security deposits on an individual customer basis, if they have systems capable of doing so. This provision does not recognize that while computer systems may be capable of performing such calculations, the business processes needed to support this requirement may be excessively costly and time-consuming. Therefore, LDCs must be provided with the discretion to use reasonable load estimates if they determine it is not cost-effective or practical to perform calculations on a customer-by-customer basis.

Section 2.4.13

In the interest of symmetry with the IMO administered market, the credit rating based allowable reductions in security deposits should be changed to the following:

Credit Rating	Allowable Reduction in Security Deposit
AAA- and above or equivalent	100%
AA-, AA, AA+ or equivalent	85%
A-, A, A+	75%
BBB-, BBB, BBB+ or equivalent	50%
Below BBB- or equivalent	0%

Section 2.4.19

This section should clearly state that LDCs are permitted to require “*auto-renewing*, irrevocable letters of credit”. The auto-renewing feature of letters of credit ensures that LDCs are notified in advance if the security instrument is about to lapse. This reduces the administrative burden associated with accepting this form of security.

The auto-renewing feature is widely available and does not impose a hardship on customers.

Date: November 21, 2003

Page 3

Addressee: Mr. Paul Pudge

Re: **Consumer Security Deposit Policies, File No.: RP-2002-0146**

Section 2.4.25

We suggest that the clarity of this section would be enhanced by revising the last sentence to read as follows (additions in bold italics):

“Where the distributor determines that the maximum amount of the security deposit is to be adjusted upward ***on the basis of the provisions of sections 2.4.12 and 2.4.13***, the distributor may require the customer to pay this additional amount at the same time as that customer’s next regular bill comes due.”

Section 2.4.26

Clarity is required regarding the meaning of “closure of account”. If this is intended to mean the date of the final meter reading, a one-month window for the return of a security deposit is not long enough.

The due date of a customer’s final bill generally follows the final meter date by about one month. If the security held is a letter of credit, an LDC must be permitted to hold the security until payment is received on a final bill. Therefore, if a letter of credit is the form of security held, the window for the return of a deposit should be extended to two months following the final meter reading date.

Section 2.4.28

The requirement that farm customers with dwellings occupied continuously for at least 8 months of the year be deemed as residential customers for the purpose of the code will be complicated to administer and subject to dispute. We suggest that this provision only apply to farm customers with peak demands of less than 50 kW, so that industrial farming operations with tenanted occupants are clearly excluded.

Thank you for the opportunity to comment on these important proposed code amendments. If you require clarification on any points made in our submission, please contact me by fax at 905-619-0210, by email at garmstrong@veridian.on.ca, or by telephone at 905-427-9870, extension 2202.

Yours Truly,

George Armstrong, C.E.T., B.A.S.
Manager of Regulatory Affairs and Key Projects

c John Wiersma
 Axel Starck
 Rob Scarffe
 Dave Clark
 Wayne Taggart, EDA