

Meeting Notes - #6
Consumer Security Deposit Working Group
Friday, February 14, 2003
9:30 a.m. - 2:30 p.m.

Roy O'Brien (Canadian Cable Television Assoc.)
Melanie Currie (Canadian Federation of
Independent Business)
Wayne Taggart (Electricity Distributors
Association)
Rita Ronca (Enersource Hydro Mississauga)
Laurie Elliot (Hydro Ottawa)

Dawn Case (Milton Chamber of Commerce)
Mary Jo Corkum (Milton Hydro)
Pamela Tweedy (Toronto Hydro)
Judy Rosebrugh (Wellington North Power)
Chris Cincar (Ontario Energy Board)
Martin Davies (Ontario Energy Board)
Kirsten Walli (Ontario Energy Board)

NOTES OF MEETING

1) Discussion of Bill 210 Implications

- Significant increase in number of consumers not paying their bills since LDCs cannot disconnect until April 1, 2003. Accounts receivable have doubled for one LDC.
- For those customers not paying their bills, April 1st will be a major shock. LDCs uncertain how such customers will be able to pay a security deposit given the amounts of their bills.
- While LDCs are experiencing an increase in consumer non-payment, the LDCs still must pay the IMO the full amount of the invoice resulting in cash flow implications. Security deposits are just a symptom of the real problem (100% guarantee of payment to IMO).
- OEB staff noted that the reason for establishing the working group was to address the issue of security deposits (not market design issues).
- Some customers waiting for balance of rebate before paying their electricity bill.
- LDCs increasing their use of load limiters. Many non-paying consumers began to pay their bills when they learned of this (about 50% at one LDC and almost 100% at another).
- While it differs across LDCs, about 50% of customer load is comprised of low volume and designated consumers.

- Reduction in price to 4.3 cents that IMO uses to calculate prudentials has resulted in minimal impact on LDC prudential obligations to the IMO because IMO now using January load data (instead of data from May) in calculation.
- It was suggested that a major problem before was how the request for a security deposit was initially presented by LDCs to consumers. It was not fully explained to consumers why a deposit was being requested. One member believes that consumers will be more receptive to providing a security deposit now that they have a better understanding of the situation.

2) Discussion of Changes to Options Paper Due to Bill 210

- OEB staff asked working group if they wanted to make “wholesale changes” to Options Paper or place a paragraph in the introduction regarding Bill 210 and retain the current content with qualifications where applicable. The members chose the latter.
- Should note in paper that it was prepared prior to the Action Plan announcement.
- It was suggested that the paper needed to emphasize the upstream problem (not only the band-aids).
- OEB staff reiterated that the working group should focus primarily on those issues within the OEB’s mandate.
- Working group recognizes what is within the Board’s mandate but want market design discussion retained in the Options Paper so that others, which are not part of the working group, fully understand the problem.
- It was noted that Options Paper should be presented to the Minister. OEB staff stated that is not the role of the Board. Instead, it is up to the stakeholders.
- It was suggested that the MUSH sector may need to be introduced in paper, as it was in Bill 210.
- Need to clarify that “uniformity / consistency across LDCs” does not mean exactly the same policy for each LDC. Some flexibility is required.
- Working group needs to decide on whether there should be changes to an OEB code or a new Guideline (e.g., could include in Distribution Rate Handbook). Cannot be both very prescriptive and allow for flexibility. If in

- a code, LDCs cannot deviate. Do not want to codify something that LDCs cannot implement.
- Making some things mandatory could have implications (e.g., systems, staffing, costs) for LDCs.
 - For Option (i), remove “Via *line losses*” since line losses are already a problematic issue.
 - For Option (v), the “50/50 LDC/retailer split” was questioned (i.e., retailers should assume 100% of default risk). It was explained that LDCs need to assume some risk because LDCs are still the collection agents under Distributor-Consolidated Billing.
 - Last option should be (xi) not (v).
 - Options (vii) and (xi) both discuss the potential for IMO Fee increases. Any IMO Fee increase cannot be decided upon solely by the OEB Board. Now requires approval by the Minister.
 - Option (vii) would require Market Rule changes. Any Market Rule change also now requires approval by the Minister.
 - Under “Terms and Conditions” (on page 10), for Residential:
 - Require an explanation regarding whether LDCs are intended to choose between the two options or the Board would select one option that all LDCs would implement;
 - It was stated that it would be too resource intensive for large LDCs (e.g., Toronto Hydro) to “provide good payment history (GPH) reference”. And increasing resources would be problematic under the rate cap;
 - Equifax was a cost-effective tool for credit checks, but not all LDCs use it;
 - “no bad payment history” should just be changed to “no payment history” and add “Ontario” before “LDC” and “utility”;
 - Could reduce to only one option and first line would read “good payment history (GPH) or no payment history with LDC”. The remaining three bullets under Option 2 were the same as the “Note” under Option 1 so they could be discarded. Also suggested that providing references, credit checks and acceptable 3rd party guarantee could be optional.
 - Under “Calculation of Amount”, need to change 6.5 cents to 4.3 cents.

- On pages 12 and 13, need qualifying statements where there is discussion of changes to Market Rules and “credit watch services”.
- Under “Recommendations”:
 - change “disconnect service” to “limit or disconnect service”;
 - remove bullet regarding load limiters (Addressed already by Minister’s letter to LDCs);
 - 1st bullet (page 15) change “OEB discuss with IMO” to “OEB discuss with Ministry and IMO”;
 - On page 16, need to qualify “bad debts expense” and “z-factor” (Rate setting now requires leave from the Minister).
- Under “Conclusion:”
 - Last bullet needs to be rewritten recognizing that Bill 210 was passed.
 - Discussion of implications associated with IMO Fee Cap needs to be added.