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Compliance Office

December 8, 2005

Information Bulletin 200513

To: All Licensed Electricity Distributors and Licensed Electricity Retailers

Re: Industry Solution to Retail Market Issue -
Refusal to Process Service Transaction Requests due to Arrears

Electricity retailers recently brought to the attention of the Compliance Office their concerns regarding the adverse impact on the retail market of practices of electricity distributors in relation to the processing of service transaction requests ("STR") involving consumers that are in arrears on payment.

Under section 10.5 of the Retail Settlement Code, a distributor may refuse to process an STR involving a change in a consumer's electricity supply arrangements where the consumer is then in arrears on payment to the distributor. Some distributors do not refuse to process STRs on this basis. Of those that do refuse to process STRs on this basis, some do so when the amount of consumer arrears is as small as \$1.00 while others do not refuse to process STRs unless the amount of consumer arrears is \$300.00.

In an effort to facilitate an industry-based resolution to this issue, the Compliance Office encouraged industry representatives to agree to a standardized approach to the matter. Representatives of certain retailers and distributors met to determine whether such an approach could be developed, and identified the following as criteria that any standardized approach would need to meet:

- it should not affect a distributor's collection processes;
- it should not require expensive modifications to a distributor's EBT system; and
- it should be simple and practical to implement.

The solution proposed by the industry representatives was that, effective January 16, 2006, a distributor will not refuse to process an Enrol Request STR under section 10.5 of the Retail Settlement Code unless the consumer is in arrears by at least a minimum dollar value, to be coded as variable. Initially, the minimum dollar value would be set at \$100.00. This is a minimum threshold for those distributors that refuse to process STRs

on the basis of arrears, and is not intended to change the practices of distributors that have a higher threshold, nor of those that do not refuse to process STRs on this basis. Additional retailers and distributors were consulted regarding the proposal, and have agreed to the proposed solution.

I am pleased that distributors that currently have more stringent policies under which they refuse to process Enrol Request STRs in cases where the consumer is in arrears have agreed to implement this solution. While I anticipate that more liberal practices regarding the arrears threshold will have a positive impact on retail market activity, the Compliance Office will continue to monitor the situation with a view to determining whether revisions to the Retail Settlement Code may be required.

Please direct any questions you may have on this matter to the Market Participant hotline at 416-440-7604 or by e-mail at market.operations@oeb.gov.on.ca.



Brian Hewson
Chief Compliance Officer
Compliance Office

No statutory power of decision has been delegated to the Chief Compliance Officer, and the views expressed in this Compliance Bulletin are not binding on the Board. The Chief Compliance Officer may seek enforcement action by the Board under Part VII.1 of the *Ontario Energy Board Act, 1998*, in relation to non-compliance.