



November 30, 2017

VIA e-mail

Vince Mazzone
Advisor, Application Policy & Climate Change
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Dear Mr. Mazzone:

**Re: Energy Retailer Service Charges
Review of Miscellaneous Rates and Charges (EB--2015-0304)**

Hydro Ottawa Limited ("Hydro Ottawa") has been an active member in the working group for the review of Energy Retailer Service Charges for electricity and natural gas distributors.

Board staff provided working group member the opportunity to submit written comments on the 8 topics discussed during the working group. Hydro Ottawa has found the working group to be productive and is pleased to be given the opportunity to provide the following comments.

1) The overarching guiding principles that the OEB should consider.

Hydro Ottawa supports that the user pays principle be incorporated into any change to the proposed rate methodology structure or incorporated into any Board generically set rates.

The cost structure should not eliminate customer chose, however, it should also ensure that individual utilities are kept whole and consider overall cost to customers and the appropriate level of additional cost to customers who enter retail contracts.

2) The type of costs that should be included as part of the overarching costing methodology for distributor-consolidated billing, service transaction requests, service agreements, and notice of switch letters.

Hydro Ottawa proposes that additional costing methodology be incorporated for switch letters. Regarding all other existing costs, Hydro Ottawa proposes that no change to what is currently included in the costing methodology for distributor-consolidated billing, service transaction requests, and service agreements is required. In addition, that the switch letters should be based off similar principles.

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During the working group meeting it was discussed that each utility has similar cost drivers however the costs vary depending on systems and implementation. Different implementation strategies appear to have been chosen based on what was most efficient for each LDCs systems and what could be supported by LDC processes and staffing. To a lesser extent, as retail customer numbers declined, retail customer numbers could drive process changes or staffing strategies. However, costs to support expenses such as systems or settlement process remain, as they are not driven by the number of retail customers.

As will also be discussed in topic number 6), Hydro Ottawa supports the creation of a variance account similar as that created for gas utilities for system implementation costs driven by new regulatory requirements. Electricity utilities are not to include system implementation costs as part of the currently allowed Variance Accounts (Uniform System of Account 1518 and 1548).

3) Whether a fully allocated costing methodology is appropriate for existing energy retailer service charges and if not, the other approaches that the OEB should consider.

Hydro Ottawa supports the user pay principle. And supports incorporating the user pay principle into any change to the proposed structure or generically proposed rates.

It was discussion during the working group that cost increases to retailers will flow through to customers. This could potentially make retailer rates unattractive and limit customers' ability to make a choice in the market.

It was also noted that customers enrolled with a retailer are not charged the SSS Administration charge. This charge covers the cost of LDCs administering the standard supply service. When a customer moves form SSS to a retailer the SSS administration fee is no longer charged.

Similar to retailer service charges, the SSS administration charge has also not been adjusted to reflect actual costs or inflation since it was implemented. It also does not reflect the changing landscape of the regulatory environment which has increased LDC responsibility to administer.

Therefore, HOL proposes that the SSS charge should also be accessed when consider retailer charges. If corresponding increases to the SSS administration charge and the Monthly Distributor-Consolidated billing monthly charge, per customer, per retailer are incurred, pricing between the two option will be relatively maintained. As a result, when the increased cost is built into retailer rates the customer will experience the saving in the SSS charge. It also ensures LDC's are kept whole regardless of what supply choice the customer makes; as the volume of retailer customer change the LDC does not take on the risk or reward of customer choice. Lastly, by increasing both rates, it ensures the OEB principle of user pays is maintained.

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4) Whether a consistent application of energy retailer service charges should be followed or whether distributor specific charges should apply.

Hydro Ottawa supports generic rates to be set based on industry experience with the option of utility specific rates available for applicant that can support justifying a utility specific rate. This would be in-line with the current Ontario Energy Board's Chapter 2 Filing Requirements for Electricity Distribution Rate Applications, issued July 20, 2017.

5) Whether a mechanism should be considered by the OEB in order to keep energy retailer service charges up to date.

Hydro Ottawa supports a mechanism that reviews retailer service charges in order to keep the charges in-line with costs. As a suggested minimum, Hydro Ottawa supports a standard to updating rates no less than a 5 year cycle, similar to a cost of service application cycle.

6) Whether Retail Cost Variance Accounts (which are used to record the difference between charges levied on customers and retailers and the direct incremental costs for the provision of retailer services) should be eliminated and the implications of doing so.

Hydro Ottawa no longer records cost and revenues to the retailer cost variance accounts (Account 1518 and 1548) for LDCs. Hydro Ottawa supports considering individual LDC needs and preferences as to whether they continue the use of retail variance accounts. This could be accessed during a cost of service or custom application.

Hydro Ottawa supports the creation of a variance account similar to that created for Gas utilities for system implementation costs driven by new regulatory requirements. Electricity utilities are not to include system implementation costs as part of the currently allowed Variance Accounts (Uniform System of Account 1518 and 1548).

7) Whether there are approaches or lessons learned for charges from the natural gas distributors to natural gas marketers that could be considered for electricity and vice versa.

As mentioned in topic 2) and 6), Hydro Ottawa supports the creation of a variance account similar to that created for Gas utilities for system implementation costs driven by new regulatory requirements. This would allow electricity utilities to recover cost associated with new regulatory requirements in the Retail market.

In addition, as with the Natural Gas distributors, retail charges should be based on costs.



8) The factors that the OEB should consider with respect to the implementation of any changes made to the current energy retailer service charges.

The timing of any changes should contemplate the scope of the change being implemented. New transaction types will need to be incorporated into the EBT standards and coded by hubs and LDCs. It is anticipated that utilizing the current charge types would allow for a quicker implementation timeline, however this may not be the case for all parties involved.

It is also recommended that implementation co-inside with annual rate changes in order to make testing more efficient.

Please do not hesitate to contact me if you require anything further.

Yours sincerely,

Original signed by

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