



November 30, 2017

Via Email: Vince.Mazzone@oeb.ca

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Dear Mr .Mazzone:

Summitt Energy Management Inc. (“Summitt”) provides the following responses with respect to Ontario Energy Board (“OEB”) Staff’s review of Retailer service charges.

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

It is Summitt’s opinion that the guiding principles be based on cause causation. Variable costs incurred to administer the program and provide services to Retailers and their customers should be allocated to Retailers. However, costs incurred by Distributors to maintain the program for all rate payers, whether or not they have chosen a Retailer, should be socialized and allocated to all eligible rate payers. This would ensure that consumer choice remains in place and consumers that choose a Retailer are not unduly penalized financially for making such choice.

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.

It is Summitt’s opinion that only those costs associated with the “per transaction cost” for Distributors to facilitate Retail service to Retail customers. Such cost could include the notice to switch letter and monthly EDI transactional costs. It should not include components of Distributor IT Application costs for system infrastructure maintenance associated with providing consumer choice in Ontario. The retail choice program is available to all eligible rate payers and any IT application or maintenance costs to provide the retail choice program should NOT be considered as part of any cost methodology to be burdened by the Retailers under this review. This would include costs associated to Distributor call center operations. We have heard, throughout the consultation process, that there is no specific or aggregate data tracking of customer inquiries with any one Distributor that can be definitively attributed to a specific Retailer inquiry. Therefore, such operational costs for call center operations cannot be quantified to Retailer specific inquires and should not be considered in OEB staffs cause causality review.

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.

It is Summitt's position that a fully allocated costing methodology is NOT appropriate based on the current retail energy market environment as it stands today. The retail energy market has experienced a steady decline since the Energy Consumer Protection Act was amended in January of 2017, creating additional barriers to consumer choice. The decline has resulted in only a handful of Retailers remaining active within the Ontario Market. Any cost methodology that requires Retailers to pay all Distributor fixed cost charges in order to provide consumers with the option to choose will most certainly force Retailers out of the market. Therefore it is Summitt's position that any cost methodology that is adopted by the OEB should be restricted to the "per transaction cost" for Distributors to facilitate Retail service to Retail customers.

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

The Ontario market has a multitude of Distributors, whose individual corporate cost and operations vastly differ from each other. This was evident in the OEB consultation with Retailers and Distributors. Retailers should not be required to pay for Distributors inefficiencies or decisions to use one method of providing a Retailer service over another that is not cost effective. This was abundantly clear in the review of Distributor cost for providing Retail customers with the notice letter. The distributors per letter cost ranged from \$1.05 to over \$3.00. This is almost a 300 percent swing between Distributor costs on the notice letter alone. Therefore, it is Summitt's position that OEB should apply a fair, reasonable and consistent application of Retailer charges.

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

Creating a mechanism that allows for individual Distributor cost review, whether as little as annually or as much as every five years, would be cumbersome. Therefore, it is Summitt's opinion that any mechanism considered or adopted by the OEB should involve a global review using standardizes cost allocations for all Distributors.

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.

Summitt does not wish to provide comment.

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.

OEB should concentrate on Distributor charges that have been streamlined through

outsourcing or process improvement. It was apparent during the consultation process that Distributor operational costs varied vastly. OEB staff should focus on those Distributor charges that have been streamlined or outsourced to reduce costs. Retailers should not be expected to compensate Distributors for variable costs where the distributor has not taken reasonable steps to reduce such costs. To this, OEB staff should apply a reasonable average cost to Distributor variable cost components.

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

OEB should consider how such changes will effect existing Retail customers as well as potential negative impact to consumer choice. The entire premise of the Retailer program is to offer consumers the ability to choose their energy provider. That choice is available to all rate payers and should not be structured in such a way as to burden a consumer financially for making such a choice. Therefore, OEB should only consider “per transaction” charges as the only charges that can be borne by the Retailer. Any other fixed Distributor charges are directly related to consumer choice and should remain socialized. Summitt submits that any guiding principle based on cause causation should include a principled rationale in order to properly balance the interest of Retail and non-retail customers.

Respectfully,



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