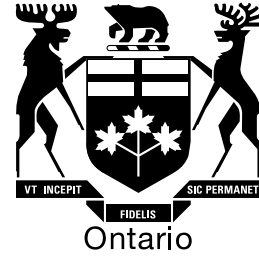


Ontario Energy Board

Commission de l'énergie  
de l'Ontario



# **EB-2014-0198**

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## **Draft Report of the Board**

**Electricity and Natural Gas Distributors'  
Residential Customer Billing Practices and  
Performance**

September 18, 2014

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## 1.0 Introduction

The Board is increasingly focused on ensuring customers are well served by their distributors and receive appropriate value for the price they pay. To this end, the Board is currently pursuing a number of initiatives to improve the customer's bill and make it more effective in helping households and small businesses manage their energy costs.

Timely and accurate billing by electricity and natural gas distributors is essential to customer satisfaction. As such, the Board wants to ensure that billing practices by all distributors in Ontario meet those customer needs and expectations as well as increasing demands for better and timely information about energy use. The Board's goal is to assist customers in better understanding their energy consumption so that they can manage that consumption and control their costs.

The Board intends to consider policies related to billing practices for all regulated natural gas and electricity distributors to help meet these objectives. The Board has also developed a measure for billing accuracy of 98% that will be included on each electricity distributor's performance scorecard, as established by the Board earlier this year.

By undertaking this initiative, the Board expects to take advantage of the recent upgrades to the electricity system and investments in smart meters to provide additional benefits for customers. This will result in more accurate bills for customers and receipt of electricity usage information based on actual meter readings in a more timely and convenient manner. The Board will also review the availability of e-billing as an option for customers. This report provides information on the Board's policy review of both electricity and natural gas distributors' residential customer billing practices and performance.

Section 2.0 below provides background information on this initiative. Sections 3.1 and 3.2 provide an overview of the survey results in relation to the billing practices and estimated billing of natural gas and electricity distributors, respectively. Section 4.1 discusses the Board's proposed policy in relation to the billing practices of natural gas and electricity distributors and Section 4.3 discusses the Board's proposed policy in relation to estimated billing. Sections 4.2 and 4.4 provide details on the areas in which stakeholder comment is sought.

## 2.0 Background

On June 27, 2014 the Board issued a letter informing both electricity and natural gas distributors that, due to the Board's increasing focus on ensuring customers are served well by their distributors and receive appropriate value for the price they pay, the Board will review billing timeliness and accuracy. The letter indicated that, ultimately, the goal is to give more customers a better understanding of their energy consumption in a

timely and accurate manner so they can better manage their consumption and control their costs.

The Board also indicated that the billing practices review will be completed in a series of stages. The first stage required distributors to file a completed billing practices survey by Friday, July 18, 2014. The billing practices survey sought input with respect to a number of billing elements, including: how many customers receive monthly bills, are customers able to choose a billing cycle option, can customers receive e-bills, do customers receive estimated bills, what is the length of time between meter readings and billing cycle, etc.

The next stage in the review is this Draft Report of the Board which provides an analysis of the billing practices, including estimated billing, of the natural gas and electricity distributors and proposes policies in these areas for stakeholder comment.

### **3.0 Survey Results**

Rate-regulated electricity distributors serving nearly 100% of customers, and all rate-regulated natural gas distributors (Enbridge Gas Distribution Inc., Union Gas Limited and Natural Resource Gas Limited) responded to the survey. Responses were also received from two non-rate regulated distributors, Kitchener Utilities (gas) and Cornwall Street Railway Light and Power Company Limited (electricity).<sup>1</sup> For the purposes of this report, only the results for the rate-regulated distributors are included.

#### **3.1 Billing Practices**

##### *3.1.1 Results of Natural Gas Distributors*

The survey results show that the three natural gas distributors bill all residential customers monthly. Both Enbridge and Union currently have 22% and 24% of their customers enrolled in e-billing respectively, while Natural Resource Gas is currently in the process of updating its billing software to implement e-billing within 9 to 12 months.

In addition, the survey results show that a large number of customers for both Enbridge and Union are on an equal billing plan. For Enbridge, 964,971 or 47.8% of residential customers are on an equal billing plan and for Union, 523,171 or 41% of residential customers are on an equal billing plan. The percentage for Natural Resource Gas is significantly less, with 1,305 or 15.9% of residential customers on an equal billing plan.

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<sup>1</sup> Kitchener indicated that it bills all customers monthly, while Cornwall bills its non-seasonal residential customers bi-monthly and its seasonal customers annually. Cornwall indicated that it has no plans to move towards monthly billing. Both utilities provide the option for customers to receive e-bills and to register in an equal payment plan. In addition, both utilities indicated that they estimate some bills.

3.1.2 Results of Electricity Distributors

Monthly Billing

The survey results show that there are currently 2,405,495 or 55.5% of non-seasonal residential customers being billed on a monthly basis. The remaining 1,926,211 or 44.5% of non-seasonal residential customers are billed bi-monthly. While the number of customers billed monthly has increased significantly since 2010, 45% of residential customers are still not billed monthly.

The survey results show that 53 out of 72 electricity distributors provide monthly billing to their non-seasonal customers.<sup>2</sup> The remaining 19 distributors bill non-seasonal residential customers on a bi-monthly basis.<sup>3</sup> For the 19 electricity distributors that do not bill customers monthly, Table 1 provides a breakdown of those who have plans to move towards monthly billing along with the total number of residential customers. Of these 19, 7 indicated that they do have plans to move towards monthly billing, and 12 indicated that they do not have plans.

**Table 1: Electricity Distributors’ Plans to Switch to Monthly Billing**

YES	NO
<ol style="list-style-type: none"> <li>1. Enersource Hydro Mississauga Inc.*</li> <li>2. Guelph Hydro Electric Systems Inc.*</li> <li>3. Kitchener-Wilmot Hydro Inc.*</li> <li>4. Lakefront Utilities Inc.*</li> <li>5. Oakville Hydro Distribution Inc.*</li> <li>6. Ottawa River Power Corporation</li> <li>7. Whitby Hydro Electric Corporation*</li> </ol> <p><b>Total Residential Customers Served: 428,030</b></p>	<ol style="list-style-type: none"> <li>1. Bluewater Power Distribution Corp.</li> <li>2. Burlington Hydro Inc.</li> <li>3. Cambridge and North Dumfries Hydro Inc.</li> <li>4. Greater Sudbury Hydro Inc.</li> <li>5. Halton Hills Hydro Inc.</li> <li>6. Horizon Utilities Corporation*</li> <li>7. PowerStream Inc.*</li> <li>8. Renfrew Hydro Inc.</li> <li>9. Thunder Bay Hydro Electricity Distribution Inc.</li> <li>10. Toronto Hydro-Electric System Limited*</li> <li>11. Veridian Connections Inc.</li> <li>12. Waterloo North Hydro Inc.</li> </ol> <p><b>Total Residential Customers Served: 1,586,205</b></p>

\*electricity distributors with a small number of residential customers billed monthly

<sup>2</sup> Hydro One Networks Inc. has 245 and Rideau St. Lawrence Distribution Inc., has 1,878 or 37% of non-seasonal residential customers who are still billed bi-monthly.

<sup>3</sup> Nine of these electricity distributors bill some customers monthly for a variety of reasons. Major reasons indicated include customers with microFIT accounts, customers with electric heat, or suite-metered customers.

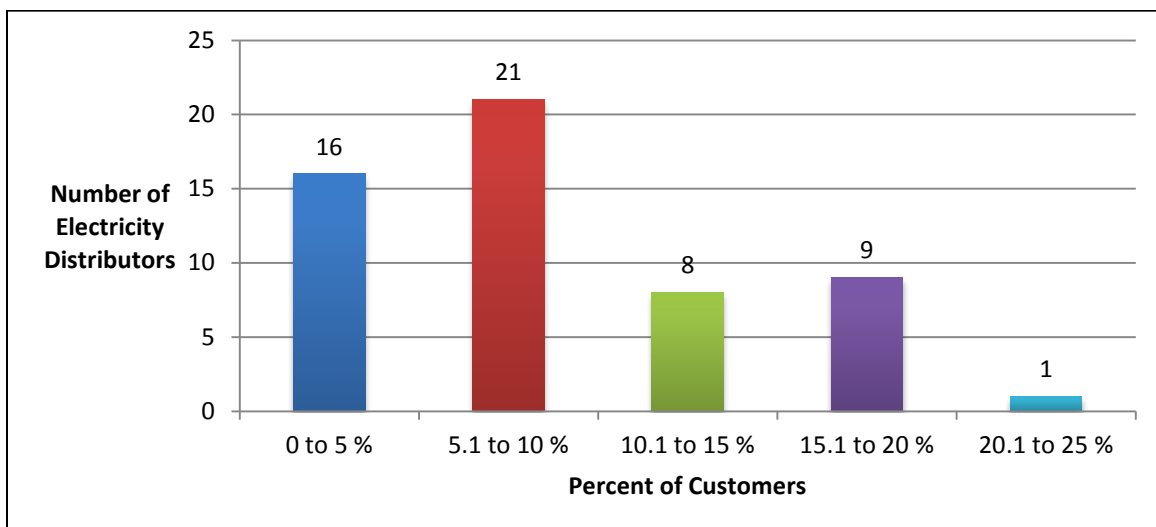
### Seasonal Customers

With respect to seasonal customers, Hydro One Networks Inc. is the only electricity distributor that bills seasonal customers on a quarterly basis (129,136 customers) and also has 22,002 customers who are billed monthly. Algoma Power Inc. bills all of its 3,225 seasonal customers on a monthly basis. In addition, there are a total of 1,593 seasonal customers billed on a bi-monthly basis, all of which are Veridian customers. These three electricity distributors are the only electricity distributors with a seasonal rate class.

### Electronic Billing (e-billing)

When looking at the results for e-billing, 55 electricity distributors serving 97% of non-seasonal residential customers provide the option for customers to receive e-bills. Of the remaining 17 electricity distributors, that serve only 3% of non-seasonal residential customers, 9 are in the process of implementing an e-billing option for customers, while the remaining 8 have no plans to implement e-billing. Of the 55 electricity distributors who provide the option for customers to receive e-bills, Figure 1 provides a breakdown of the percentage of customers enrolled.

**Figure 1: Customers Enrolled in E-billing**



### Equal Billing/Payment

As required by the Distribution System Code, all electricity distributors offer an equal billing plan<sup>4</sup> or equal payment plan<sup>5</sup> to customers. The natural gas distributors have

<sup>4</sup> An equal billing plan is a billing option where a bill is issued to a customer and the amount due in each bill is equalized over the billing periods in the year. The billing may occur for example on a monthly or bi-monthly basis. In this case there is no requirement for automatic withdrawals from a financial institution.

also included an equal billing option in their Condition of Service. The data shows that 452,985 or 10.5% of electricity customers are on either plan, which is significantly less than the 47.8% and 41% enrolment of Enbridge's and Union's customers, respectively. Enbridge's higher percentage could be attributed to the fact that all new customers and customers who have moved are automatically opted in to its equal billing plan and must request to opt out.

The gas companies have long promoted equal billing for residential customers to smooth out the effects of the significantly higher consumption in the three winter months than in other times of the year. For electricity distributors the requirement to provide equal billing or equal payment plans was only established by the Board in 2011, though electricity distributors provided one or both of these plans before that date.

## 3.2. Estimated Billing

### *3.2.1 Results of Natural Gas Distributors*

Section 7.3.3 of the Gas Distribution Access Rule (GDAR) provides that a distributor may choose to estimate the meter read for various reasons which may include limited access and the expense of actual meter reads. GDAR establishes a measurement for meter reading performance which tracks the number of meters with no read for four consecutive months. This measurement is not to exceed 0.5% per year. It should be noted that smart meters have not been deployed for gas distributors. Meter reads are therefore typically a manual process for residential customers.

The survey results show that one of the three natural gas distributors (Enbridge) estimates bills 50% of the time (every second month with an actual read occurring in the alternate month). Union advised that it makes every effort to read all meters on a monthly basis and will estimate only where due to weather, inaccessibility of the meter or meter malfunctions / damage has occurred. Union provided an approximate number of 6% of estimated bills issued per month, and further reported that its performance in 2013 against the GDAR meter reading measure exceeded the standard, with only 0.2% of meters not read for 4 consecutive months. Natural Resource Gas responded that they rarely estimate bills but will do so where they are unable to access the meter, no measure or percentage was provided. All three natural gas distributors indicated they do not hold customer bills.

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<sup>5</sup> An equal monthly payment plan is a payment option whereby an equalized payment amount is automatically withdrawn from a customer's account with a financial institution on a monthly basis, with a physical bill to follow that may be on a monthly, bi-monthly or quarterly basis.



### *3.2.2 Results of Electricity Distributors*

Electricity distributors began installation of smart meters in 2007 and by 2012 smart meters had been installed for virtually all residential customers in the province. The past two years have also provided electricity distributors with an opportunity to leverage the smart meter technology to manage their systems and processes more effectively. With smart meters now providing real time consumption data for billing purposes, the Board expects that utilities should rarely need to rely on estimated consumption data.

The responses from electricity distributors show that 28 out of 72 electricity distributors, representing 11% of non-seasonal residential consumers do not issue estimated bills. A further 21 distributors, representing 45% of customers, utilize estimated billing only where meter failure has occurred or where access to the meter is restricted by the customer (generally non-Time-of-Use (“TOU”) meters). Of these distributors, the percentage of estimated bills issued ranges from 0% to 2%, all within the 98% billing accuracy measure established by the Board for the purposes of the electricity distributors’ performance scorecard.

The remaining 23 distributors, representing 44% of non-seasonal residential customers, reported that they do estimate some bills for consumers. Of these, all but one electricity distributor also reported that the percentage of estimated bills is between 0% and 2%, consistent with the billing accuracy scorecard measure. As the outlier distributor, Hydro One reported 10.8% of its bills were estimated, down significantly from approximately 66% prior to the implementation of smart meters.

Most distributors also reported a decrease in the overall number of estimated bills since the introduction of smart meters.

## **4.0 Board Policy**

### 4.1 Billing Practices

#### *4.1.1 Natural Gas Distributors*

The survey results show that the three rate regulated natural gas distributors bill all of their residential customers monthly. Both Enbridge and Union currently have over 20% of customers enrolled in e-billing while Natural Resource Gas is currently in the process of updating its billing software. This percentage is expected to increase over time. The Board is of the view that it does not need to mandate further billing policies at this time given that all natural gas customers are billed monthly. In the absence of smart meters it is also reasonable to expect that the gas distributors will need to estimate more meter reads than electricity distributors.

#### *4.1.2 Electricity Distributors*

As discussed above, the survey results show that 53 electricity distributors serving 55.5% of non-seasonal residential customers are billing on a monthly basis.

As indicated in the Board's letter dated June 27, 2014, timely and accurate billing is essential to customer satisfaction but also essential to better informing customers about their energy use and allow them to adjust consumption and control their costs. It also allows consumers to manage regular expenses by budgeting for payments monthly, rather than bi-monthly. As such, the Board wants to ensure that billing practices by all distributors in Ontario meet those customer needs and expectations. The Board also wants to ensure that customers have the information to gain a better understanding of their energy consumption so that they can better manage that consumption and control their costs.

The Board's is of the view that one of the most effective ways to achieve these objectives is to have all non-seasonal electricity residential customers in Ontario billed on a monthly basis and that this should occur no later than January 1, 2016.

The Board acknowledges that this change may require process changes and that there are cost implications for some electricity distributors. However, it is essential to look at the costs and benefits from both an electricity distributor and customer perspective.

A major benefit of monthly billing from the consumer perspective is that it will bring a stronger connection between consumption and costs and make it easier for customers to identify the drivers that influence energy use to enable more immediate action to adjust their use and reduce their electricity bills. In addition, sending a bill on a monthly basis, may improve customer relations as it may reduce inquires or complaints related to high bills since the total bill amount will be for one month rather than two.

For an electricity distributor, there is the potential for incremental costs to be incurred with the move towards billing all customers monthly due to bill production and mailing costs, and possible system or processes changes. It is generally easy to identify these costs. These costs, however, are expected to be mitigated by the improved cash flow, potential reductions to customer arrears that can lead to collection costs and bad debts, and efforts to expand the use of e-billing. These offsetting cost reductions are typically more difficult to identify. There are also qualitative benefits to billing monthly such as improving the ability to communicate with customers on important issues in a more timely manner.

Any additional costs to distributors could be offset over time through a higher penetration of e-billing. As previously noted, the survey results show that the two natural gas distributors that serve the majority of customers in Ontario, each have over 20% of

customers enrolled in e-billing. In comparison, the survey results show that only one electricity distributor has over 20% of customers enrolled in e-billing. The Board believes that further work can be done to enroll more customers in e-billing, which will help offset the additional cost of having to mail a bill monthly rather than bi-monthly.

An additional benefit of a change to monthly billing is the improvement in cash flow of the distributors. This benefit has not been quantified. For regulatory efficiency, the Board's current policy on working capital allowance is based on an average approach that has not attempted to quantify the effect on cash flow from the different ways that distributors manage their major processes (e.g. billing, collections, accounts payable etc.). As a further stage to this project, the Board will consider whether amendments are warranted to its working capital allowance policy.

With respect to seasonal customers, the Board will seek further input regarding whether a switch to monthly billing for all customers is warranted and has included a question on this for consideration below.

#### 4.2 Consultation on Monthly Billing for Electricity Distributors

Stakeholders are invited to comment on the proposed policy of the Board regarding a switch to monthly billing effective January 1, 2016 and respond to the following questions:

1. For the electricity distributors that do not offer monthly billing, what are the barriers faced in meeting the Board's goal of having all residential customers moved to monthly billing by January 1, 2016? What are the offsetting benefits such as reduced costs?
2. Should seasonal customers also be billed on a monthly basis? What are the barriers to moving to monthly billing? What are the offsetting benefits such as reduced costs?

#### 4.3 Estimated Billing

##### *4.3.1 Natural Gas Distributors*

While the survey results for natural gas distributors indicate that one distributor issues 50% of its bills based on estimated data, With almost half of Enbridge's customers on an equal billing plan, any impact between estimated and actual bills is mitigated by the annual true-up mechanism. The Board believes that no further policies for natural gas distributors are required at this time.

### 4.3.2 Electricity Distributors

With smart meters deployed to virtually all residential consumers, the Board's expectation is that all customers have bills based on actual consumption data, with limited exceptions. As with monthly billing, accurate bills with correct metered data could help encourage energy literacy and make it easier for customers to identify the drivers that influence energy use to enable more immediate action to adjust their use and reduce their electricity bills.

The Board, therefore, intends to establish a residential consumer estimated billing policy for electricity distributors. The Board will continue to monitor the performance of electricity distributors with respect to billing accuracy as part of the annual performance scorecards and continue to evaluate the 98% billing accuracy measure.

### 4.4 Consultation on Estimated Billing for Electricity Distributors

Stakeholders are invited to comment on the proposed policy of the Board regarding estimated billing for residential consumers and respond to the following questions:

1. Are there circumstances that should be considered as exceptions to the requirement for all residential consumers to receive bills based on actual meter reads?
2. Are there any barriers to moving to eliminate estimated billing? Are these offset by any benefits?
3. For those limited circumstances where an estimated bill may be required, what is the appropriate methodology to be used in estimating the data?
4. Should the policy establish a similar measure to that in the GDAR (< 0.5% of meters with no read for 4 consecutive months)? If so, what should this measure be and should there be a disincentive for not meeting the measure?