Compliance Office Quarterly Activity Report
4th Quarter 2005 - 2006

The Ontario Energy Board is committed to providing regular public reports on the activities of the Compliance Office. This report provides details as to the level of activity as well as an overview of matters that have been resolved, during the period January 1 to March 31, 2006 (the OEB's 4th quarter). At the conclusion of each section there is a short review of the key activity over the entire 2005-2006 Fiscal Year.

The report is separated into three sections dealing with each of the Compliance Office's roles:

1. **Compliance Management** - ensuring regulated energy companies meet their legal and regulatory obligations.

2. **Consumer Dispute Resolution** - facilitating the resolution of, or mediating disputes between regulated energy companies and consumers.

3. **Market Participant Enquiries** – act as the primary point of contact for regulated energy companies to provide information and guidance regarding the implementation of regulatory obligations.

During the fourth quarter the Compliance Office has continued to focus our proactive activities on the compliance concerns identified in the Annual Compliance Plan. These priorities have guided our proactive compliance activity, as well as the prioritization of compliance allegations. A synopsis of significant compliance cases that were closed in the quarter is provided under the "Compliance Management "section of the report. These cases have been reported because of their potential broader applicability as part of the objective of informing regulated energy companies about their compliance obligations.

In order to create a culture of compliance, it is important that companies thoroughly understand what is expected of them. We made it a priority during the 2005-2006 Fiscal Year to assist regulated companies in understanding the compliance process and the Board's compliance expectations. To accomplish this Compliance staff visited the majority of the electricity distributors in the province outlining, launched a Compliance web page, began publishing a quarterly compliance report, and issued 14 bulletins informing licensees of their regulatory obligations and responding to various market issues.

1. COMPLIANCE MANAGEMENT

Compliance Management refers to the review of an allegation of non-compliance which is reviewed to assess whether and to what extent a regulated energy company has breached a legal or regulatory obligation. Table 1 shows the number of compliance cases under review from January 1 to March 31, 2006, including those that have been closed and those that are on-going. During the past year the Compliance Office undertook over 90 compliance reviews.

Table 1 Compliance Cases		
Report for Q4 (Jan 1 Mar 31)		
	Gas	**Electricity**
Open from Q3 (Oct 1 Dec 31)	5	16
Open in Q4 (Jan 1 Mar 31)	3	20
Closed in Q4	4	19
Open at end of Q4	4	17

<u>Significant Compliance Cases Closed during Q4 include:</u>

- 7 distributors were the subject of a proactive compliance review with respect to the Affiliate Relationship Code. The CCO issued determination letters to each distributor outlining concerns regarding each distributor's relationship with its affiliates. The areas of concern that were generally identified are: the outsourcing of distributor management and control, inappropriate sharing of resources, failure to properly determine transfer prices, inadequate physical separation and improper equal access to services. Each of the distributors has been requested to provide an action plan that indicates the steps intended to be taken in order to bring the distributor into compliance. It is expected that the Compliance Office will be closely involved in monitoring the distributor's development and implementation of their action plans.

- An electricity distributor failed to implement a compliance plan, with respect to its Conditions of Service. The CCO issued a letter to the distributor requesting written confirmation that the distributor no longer enforced the non-compliant policy with its customers and to immediately amend it's Conditions of Service. The distributor confirmed by written response that the Conditions of Service were amended and that they were no longer enforcing this policy.

- A concern was reported to the Compliance Office regarding an electricity distributor disclosing tenant information about the disconnection of electricity supply to a landlord. The Licence of the distributor clearly stated that the licensee shall not disclose any information to another party about the consumer without their written consent, except in specific situations. The CCO requested that the distributor not engage in this process going forward as it is not compliant with licensee obligations and the distributor agreed to discontinue the practice.

- The Compliance Office became aware that a distributor was allegedly applying the tier thresholds under the Regulated Price Plan incorrectly to designated and residential consumers. Upon investigation the distributor confirmed that the wrong thresholds had been applied in some cases. Following an investigations the distributor corrected it's billing system for the future and recalculated and corrected the bills to all consumers who had been wrongly billed. No further action will be taken.

- The Compliance Office reviewed a retailer/marketer's recordings of reaffirmation calls and the script that is provided to the retailer/marketer's representatives. The CCO determined the questions included in the reaffirmation calls were not clear and that consumers would not understand that they were entering into a legally binding contract. A letter was sent to the retailer/marketer requesting they advise the consumers in writing what the terms and conditions of the contract are. The retailer/marketer confirmed that they completed this requirement.

- A gas marketer was determined to be non-compliant due to the offering of variable priced contracts. A letter was sent to the marketer in response to their letter about Compliance Bulletin 200510. The marketer changed its terms and conditions to comply with the requirement to have a price cap when offering a variable priced contract.

- The Chief Compliance Officer issued one bulletin during this period which provided guidance to licensed electricity distributors in relation to compliance with the requirement for independent directors under section 2.1.3 of the Affiliate Relationships Code for Electricity Distributors and Transmitters. (the "ARC").

During the 2005-06 Fiscal Year the Compliance Office issued 14 bulletins providing guidance to regulated companies on meeting their regulatory obligations. These bulletins focused on matters related to retailer and gas marketer practices and electricity distributor obligations. In bulletins to retailer and gas marketers we advised them of the expectations with respect to price disclosure and agent identification responsibilities. For electricity distributors we set out expectations regarding the importance of service areas, providing consumers information regarding security deposits, and information in respect of the RPP and its application. For more details on the bulletins issued please check the Compliance Office webpage under Industry Relations.

2. CONSUMER DISPUTE RESOLUTION SERVICE (CDRS)

The Consumer Dispute Resolution Service (CDRS) refers to the activity of the Compliance Office staff involvement in facilitating the resolution of a dispute between a regulated energy company and a customer. Resolution involves bringing the complaint to the attention of the regulated energy company and ensuring that the resolution of the matter is reasonable. Table 2 shows the number of CDRS issues/complaints that the Compliance Office helped to resolve, and those that are still being reviewed.

Table 2 CDRS - Complaints Reviewed		
***Report for Q4** (Jan 1 Mar 31)*		
	Gas	**Electricity**
Open from Q3 (Oct 1 Dec 31)	118	62
Open in Q4 (Jan 1 Mar 31)	204	140
Closed in Q4	204	114
Open at end of Q4	118	88

The CDRS issues typically involve the following types of issues:

Gas and Electricity Distributors – Billing practices such as: estimation practices, late payment charges and security deposit calculations.

Electricity Retailers and Gas Marketers – contract processing problems and sales agent conduct complaints.

In February 2006, the Compliance Office hosted a meeting which included electricity retailers and natural gas marketers to discuss current issues and concerns.

During the 2005 - 2006 Fiscal Year the CDRS function dealt with over 833 consumer issues.

3. PROVIDING INFORMATION TO MARKET PARTICIPANTS

Market participants are encouraged to direct questions regarding legal and regulatory obligations to the Ontario Energy Board through the Market Participant hotline and e-mail. Table 3 shows the total number of such enquiries responded to by staff within all branches of the OEB.

Table 3 Market Participant Enquiries		
Report for Q4 (Jan 1 Mar 31)		
	Gas	**Electricity**
Open from Q3 (Oct 1 Dec 31)	0	8
Open in Q4 (Jan 1 Mar 31)	6	139
Closed in Q4	6	138
Open at end of Q4	0	9

Market participants should expect a response within 5 business days. In total, during the fiscal year 2005 - 2006 the Market Participation hotline received 1138 enquiries, 91% were responded to within 5 business days.

The principal areas of enquiry included:

- Obtaining information/ access to Board documentation, filing guides and RRR documentation.
- Seeking clarification of new requirements i.e. RPP related