Compliance Office Quarterly Activity Report
1st Quarter 2006 - 2007

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 April 1 to June 30, 2006 (2006-07 first quarter).

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 quarter the Compliance Office has continued to focus its attention on proactive compliance activities as well as activities identified in the Annual Compliance Plan. 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 on because of their potential broader applicability to 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 are continuing to assist regulated companies in understanding the compliance process and the Board's compliance expectations.

During Quarter 1 2006-07, the Compliance Office issued 2 bulletins. The first one was regarding the final RPP variance settlement amount (FVSA) in relation to consumers enrolled by a retailer, but who remain on, or return to, the Regulated Price Plan (RPP), and the second served as a reminder to licenced electricity distributors of the importance of complying with the Electronic Reporting and Record Keeping requirements (the "Electricity RRR").

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 April 1 to June 30, 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 Q1 (Apr 1 –Jun 30)		
	Gas	**Electricity**
Open from Q4 (Jan 1 – Mar 31)	4	17
Open in Q1 (Apr 1 – Jun 30)	2	10
Closed in Q1	0	8
Open at end of Q1	6	19

Significant Compliance Cases Closed during Q1 include:

- Four electricity distributors that received non-compliance letters from the CCO regarding compliance with the Affiliate Relationships Code for Electricity Distributors and Transmitters (ARC) have been in discussion with Compliance Office staff. These discussions have provided added clarification and understanding of the CCO's determination.

- An electricity distributor contacted the Compliance Office with a request for a review of its plans to become compliant with the independent director provision of the ARC that came into effect July 1st. The CCO reviewed the distributor's plan and determined that the plan would result in unnecessary delays.

- An electricity distributor's compliance with the ARC was in question with regard to a study funded by the distributor, but undertaken by the distributor's affiliate as part of the distributor's conservation and demand management program. The distributor believed that as a distributor, it was not permitted to undertake such an activity. The Chief Compliance Officer advised the distributor that both the Ontario Energy Board Act and the distributor's Board-approved conservation and demand management plan permitted the distributor to undertake a wind power study. The distributor subsequently reported that it intends to enter into a contract directly with the third party.

- An allegation was made that an electricity distributor overcharged a customer for the installation of an underground service. A review of the facts determined that the distributor's costs were justifiable. However, the CCO determined that the distributor improperly applied the provisions in Section 3.1.4 of the Distribution System Code (DSC) regarding the calculation of the basic connection credit. The distributor agreed to recalculate the basic connection credit and refund the affected customers.

- Compliance staff responded to a complaint regarding the estimated costs an electricity distributor offered to complete a system expansion project. A review of the material indicated that the electricity distributor did not properly complete the economic evaluation required by the DSC for expansion projects. The distributor provided copies of its offer to connect the customer and details of the economic evaluation. After reviewing the material, it was concluded that this case involved unusually high expenses and in fact the distributor did complete the evaluation properly.

- A existing large customer of an electricity distributor alleged that a distributor was charging an inappropriate amount of capital contribution and security with respect to the connection of the customer's new substation. Upon review the Compliance Office informed the distributor that its capital contribution and security request was not consistent with the DSC. The CCO determined that the distributor needed to renegotiate the terms and conditions of connecting the new substation with the customer.

2. CONSUMER DISPUTE RESOLUTION SERVICE (CDRS)

The Consumer Dispute Resolution Service (CDRS) refers to the activity of the Compliance Office 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 Q1 (Apr 1 –Jun 30)		
	Gas	**Electricity**
Open from Q4 (Jan 1 – Mar 31)	118	88
Open in Q1 (Apr 1 – Jun 30)	195	138
Closed in Q1	226	116
Open at end of Q1	97	110

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.

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 Q1** (Apr 1 –Jun 30)*		
	Gas	**Electricity**
Open from Q4 (Jan 1 – Mar 31)	0	9
Open in Q1 (Apr 1 – Jun 30)	14	277
Closed in Q1	13	269
Open at end of Q1	1	17

Market participants should expect a response within 5 business days. During the first quarter the Market Participant hotline received 291 enquiries, 97% of which were responded to within 5 business days.

The principal areas of enquiry included:

- Requests for the EDR model
- Generator licence requirements
- How to submit CDM comments
- Clarification of Bulletin 200603 regarding the final RPP variance settlement amount (FVSA).
- Wholesale licence process