Ontario

MINISTRY OF
ENERGY

Redesign Action Plan (RAP)

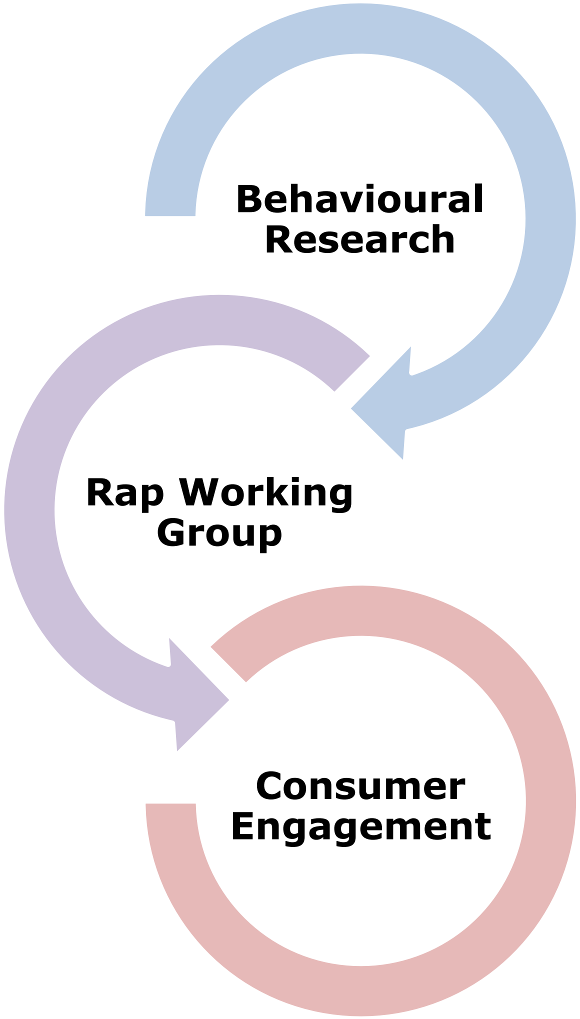
Status Update

October 2017

Overview

- The **Redesign Action Plan (RAP)** was launched with the aim of revising the regulatory framework on invoicing to improve the value of electricity bills to all consumers in Ontario.
- As part of this plan, the Ministry:
    - Engaged with Hydro One and BEWorks to learn more about how consumers react to the information presented on bills.
    - Formed the RAP LDC Working Group to seek the best advice from industry on how to develop new invoicing requirements.
    - Undertook qualitative consumer engagement to hear directly from customers on their billing preferences.
- Informed by this extensive work, the Ministry is proposing to move forward with a bill re-design plan that:
    i. Supports the near-term presentation of Fair Hydro Plan savings on invoices; and
    ii. Requires LDCs to re-design their total bill over the medium-term in a manner that aligns with the needs of consumers.

Bill Redesign Action Plan: Development Efforts



- The Ministry has engaged with Hydro One and BEworks, a behavioural science consulting firm, to understand their behavioural analysis and consumer research on the electricity bill.
- This research suggested that the design of the bill can have a dramatic impact on customers' understanding of the system, attitudes toward what they are being asked to pay and feelings for the sector-at-large.

- The Ministry launched the Redesign Action Plan (RAP) working group in August to solicit feedback on the current state of electricity invoicing in the province from the perspective of bill issuers.
- This working group allowed LDCs to share their concerns with the bill based on what they were hearing from their customers as well as challenges to designing a new bill from a technical perspective.

- In mid-September, the Ministry partnered with the OEB Consumer Panel to conduct qualitative consumer research (which was led by IPSOS) with approximately 100 consumers throughout the province.
- To strengthen our understanding of the consumer perspective, the Ministry also plans to undertake quantitative consumer research to verify the qualitative research findings.

Key Learnings

- This extensive research effort has revealed key learnings that have informed the proposed path forward:

1. **Customers do not always react as expected:** Providing information and content intended to be useful to consumers is not always perceived or used as intended – behavioural economists refer to this as "predictive irrationality."

2. **LDCs systems and billing arrangements are diverse and sophisticated:** The capacity of LDCs to deliver a redesigned bill is affected by the state of legacy systems and their arrangements with vendors, which are unique. Some elements may be more of a challenge to larger LDCs than smaller ones, and vice versa.

3. **The challenges that the bill redesign can assist in solving, vary across LDCs:** LDCs perceive their major business challenges differently – some see it as managing arrears, others as reducing call volumes, etc… Flexible bill requirements allow LDCs to use the bill to address their unique challenges.

4. **Easy access to information is the customer's top preference:** Customers are looking for their bills to i) tell them the key information at a glance, and ii) not pose barriers to learning more if they wish to do so.

Proposed Path Forward

The Ministry is proposing a 3 step process to implement a bill that is redesigned to meet the needs of Ontario consumers:

1. **Dynamic Messaging for Fair Hydro Savings**

   - In the near term, the Ministry proposes to require LDCs to include dynamic messaging on the bill showing the amount saved as a result of Fair Hydro.
   - Based on feedback from LDCs on implementation timelines, it is proposed that this messaging would appear on bills no later than February 28, 2018. The Ministry is canvassing LDCs with the technical capabilities to become "early adopters" and provide this messaging as soon as possible in the new year.

2. **Bill Redesign Regulatory Framework**

   - The Ministry would plan to have a revised regulatory framework, based on consumer research, in place by February 2018. This framework would be informed by a quantitative study of consumers to run November 2017 – January 2018. LDCs would be given until December 31, 2018 to comply with the new regulatory requirements.
   - "Early adopters" would again be canvassed and it is anticipated that some LDCs would be ready to implement a redesigned bill before the compliance deadline. These LDCs could receive near-term regulatory exemptions similar to Hydro One.

3. **Call to Action**

   - To encourage LDCs to push beyond the minimum regulatory compliance, the Ministry, with a third party (e.g. BEworks), would develop bill templates that are compliant with the new regulatory framework for LDCs to use in their bill redesign efforts if desired.

Dynamic Messaging

Require Dynamic Messaging for Early 2018

- With a regulatory framework in place by January 1,2018 - LDCs would be able to provide dynamic messaging to customers by February 2018.
- Hydro One already provides its customers a dynamic calculation of Fair Hydro savings on their monthly invoices. Other customers across the province should get it too.
    - Hydro One included dynamic messaging on its invoices since Fair Hydro was first rolled out in July, noting their customers wish to know their specific savings – rather than just an average. The customer response to date is very positive.

Benefits

- Customers would know exactly how much they are saving through Fair Hydro.
- It would improve ability of MCSS to communicate to field workers how to recognized savings on bills for customers on ODSP or Ontario Works, reducing risk of benefits being clawed back.

Potential Risks

- Behavioural research on the effect of on-bill messaging has shown mixed results; however, Hydro One has reported favourable customer feedback for dynamic Fair Hydro savings.
- Risk of criticism of incurring costs on ratepayers in order to provide messaging on government programs.

Dynamic Messaging – Proposed Mechanism

- The presentation of OFHP savings would use the following language:

  Ontario's Fair Hydro Plan saved you [$X] on your bill. This amount includes the 8% Provincial Rebate.

- "X" would be calculate using the following method in order to reflect full savings from all OFHP programs in a manner applied consistently across the province:

  Savings in the Electricity Line:
  - The difference between the amount charged for electricity on the invoice compared to the amount that would have been changed for electricity if Fair Hydro had not been put in place.
    - The Ministry would work with the OEB to ensure this information is available to LDCs.

  Savings in the Delivery Line:
  - The difference between the amount in line losses from the difference in commodity prices pre/post Fair Hydro.
  - Savings associated with distribution rate protection (for eligible customers)
  - Savings associated with First Nations Delivery Credit (for eligible customers)

  Savings in the Regulatory Line:
  - Calculate the savings associated with lowering the regulatory charge by removing OESP charge and lowering RRRP charge.

  Savings from the 8% Rebate:
  - Calculate the savings associated with getting the 8% rebate.

  HST Savings:
  - Calculate savings associated with a lower amount of HST payable by the consumer as it relates to a lower total bill post Fair Hydro.

- The static message related to OFHP savings that currently appears on bills as required by O. Reg 196/17 would be repealed.

Bill Redesign Regulatory Framework

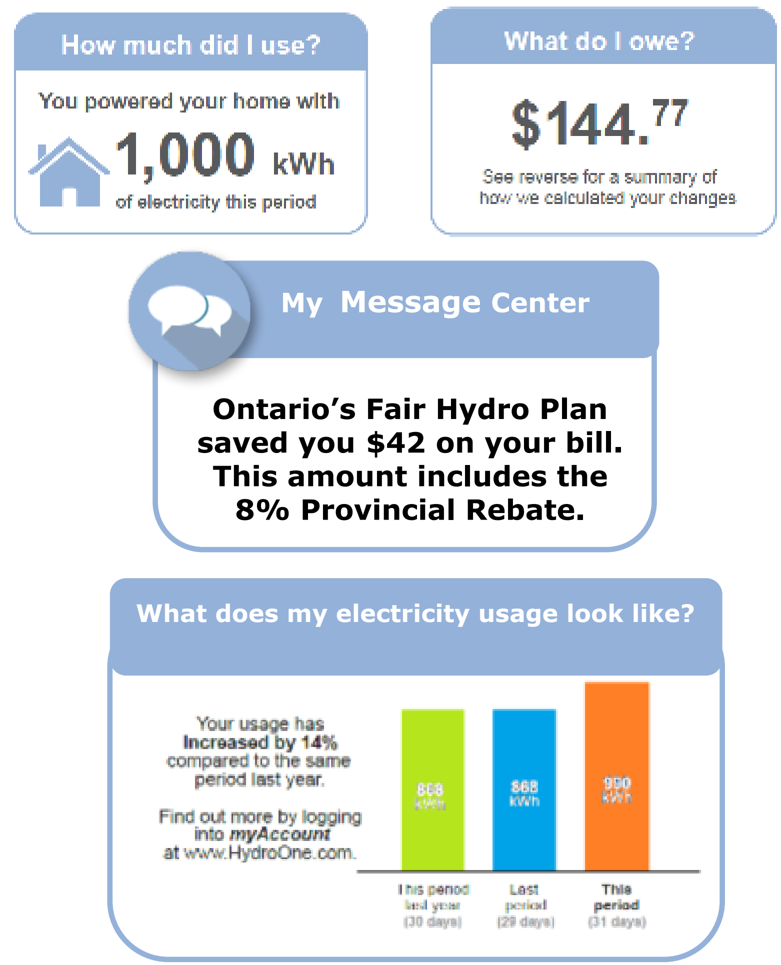
Regulatory Framework – Driving Change through Key Information

- The cornerstone of the Ministry's efforts to improve bills for consumers would be to **prescribe key information at a glance**

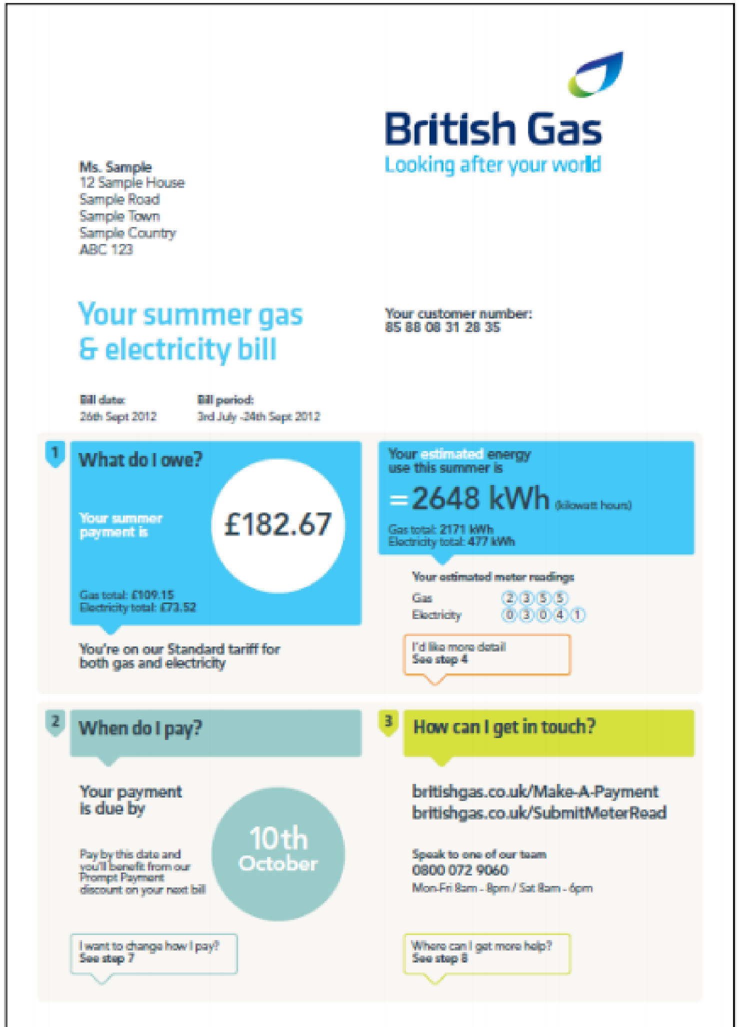
Benefits:

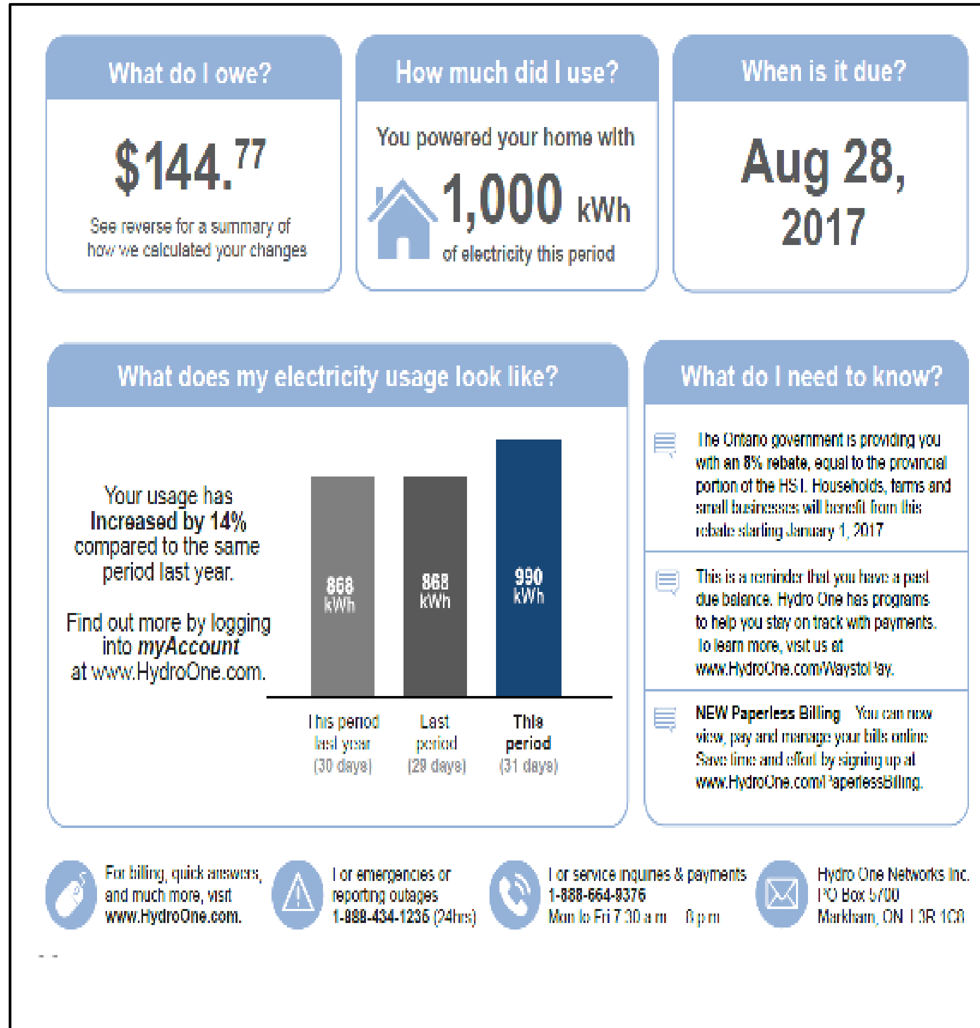
- Behavioural research shows that consumers want easy access to key information and respond to a personalized style of communication.
- Feedback obtained from ~3,600 customers (60% Hydro One) reveal the new bills increase customer satisfaction, comprehension and attitudes towards Hydro One.
- Prescribing key information and new subheadings marks a significant change from current requirements and will force LDCs to undertake a broader re-design.
- Prescribing key information to be included on face of the invoice – including subheadings – gives a degree of uniformity across all bills.
- Under LTEP, the government committed to work with LDCs to redesign the electricity bill to make it better. There is opportunity to call LDCs to action and to drive real change.

Examples of sub-heading for key information:



Key Information – Trend in Billing





Key Information - Specifics

The Ministry will use its quantitative study to help inform specifics on how the **Key Information** should be prescribed.

Key Information	Example Options for Sub-Heading	Specifics to be Determined
Amount Owed	• What do I owe? • Amount Owed	• Limit only to electricity charges or for all on-bill services? • Allowances for Equal Billing
Due Date for Payment	• When is it due? • Due Date	• n/a
Amount of Electricity Used	• How much did I use? • Consumption	• Rules regarding display
Historical Consumption	• What does my usage look like? • Previous Consumption	• Specifics on graphical format (bar chart, pie chart, etc…)
Contact Information	• Who do I contact? • *Graphic representation*	• How many methods of contact (phone, website, mailing address, etc…)
Additional Information	• What do I need to know? • Important Information	• Presentation of OFHP savings • Note retailer contract • OEB website • Space for LDC message

- A key implementation consideration is how this information may complicate bills that also bill for water and other services. The Ministry will work with LDCs to identify solutions.
- The Ministry will work with the OEB to understand how these requirements may impact OEB Codes.

Additional Amendments to Support a Better Bill

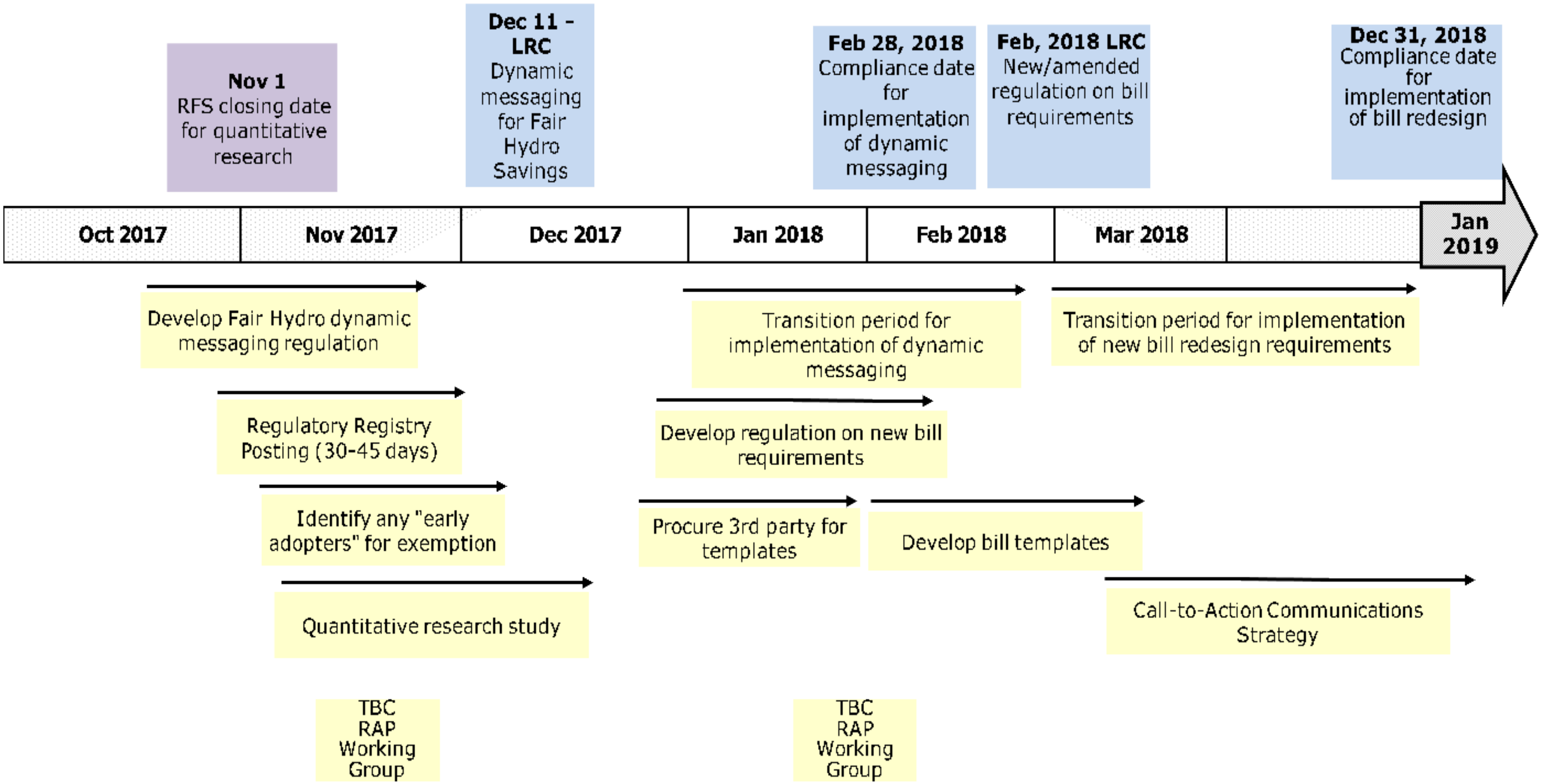
- Requiring key information up front will give customers the information they want at glance – but the bill also needs to ensure that when they want to take a deeper dive, the right information is available.
- LDCs have asked for increased invoice on real estate. Removing the requirement that definitions appear on every bill gives LDCs more flexibility.
- The Ministry will use the quantitative study to fill the gaps on these items, e.g. new definitions.

Proposal	Rationale
Keep existing heading/sub-headings.	• Customers are comfortable with the terms - even though they may not fully understand them
Remove the existing restrictions that prevent an invoice from including information not otherwise specified.	• Removing restrictions gives LDCs increased latitude to design bills that are tailored to different customer needs – e.g. showing increased breakdown of charges or supporting arrears payments.
Amend the existing definitions to be less technical and easier to understand.	• Research shows that customers do not understand the line items. Simpler definitions would act as a tool to facilitate a better understanding.
Require definitions be provided on or with the bill no less than once every 12 months.	• Requiring a minimum inclusion on or with the bill 1x every 12 months gives LDCs more design latitude.

LDC Call-to-Action: Encouraging Full Re-Design

- The Ministry's regulations will not prescribe the specific "look" of electricity bills. However, through the RAP Working Group, LDCs have voiced their understanding of the need to redesign their bills.
- Some **early adopters** such as Hydro One are will be launching their newly designed bill in a phased approach beginning in late fall 2017.
    - Other LDCs have approached ENERGY about possibly being ready to go with a re-design by January and are interested in seeking exemption from the existing framework.
- As part of the LTEP commitment to re-design bills, a **communications strategy** would be developed to help further drive LDCs to use the tools available to develop customer-focused bills.
    - The regulatory amendments create both the opportunity and the requirement for the LDC to fully re-think the design of their bill.
- To support a broader bill-redesign, the Ministry is in the process of determining if BE Works can be engaged to develop **Bill Templates** that align with new regulatory requirements that would be shared with LDCs.
    - LDCs have said templates are a valuable tool and will allow them to leverage some of the behavioural research done by the Ministry. Providing these templates increases the likelihood LDCs will do more than minimum regulatory requirements.

Proposed Timeline



Decisions Sought

1. Approval to move forward with the proposed 3-step approach– Regulation development must proceed immediately to bring forward at December 11 LRC.
2. Approve the calculation of Fair Hydro Plan savings
3. Approval to procure third party vendors to undertake quantitative consumer research and to design bill templates.
4. Approval to post a proposal on the regulatory registry to reflect this full approach.

Appendix

Development of Proposed Regulatory Framework: Key Information

Theme	Questions	Thinking Informed by Stakeholder Feedback

Key Information	• Do we prescribe key information to appear on front of bill (e.g. 5-6 items only on front of bill)?
	• What is key information?
		• Yes – all bills should contain the same standardized information on the first page.
		• Support from consumer panel: the most valuable and effective bills are ones that provide clear key information up front.
		• Consumers and RAP working group suggest that customers want the following information available "at a glance":
		  ○ Amount due
		  ○ Due date
		  ○ Account number
		  ○ Consumption, including usage comparison
		  ○ Contact information for LDC

	• Do we prescribe headings for the key information? For example:
	  ○ What do I owe?
	  ○ How much did I use?
	  ○ When is it due?
	  ○ What does my electricity usage look like?
		• Would support feedback from consumers that standardization across the province is useful.
		• Could use the same headings as Hydro One, but the Ministry has not done independent testing – could do so in quantitative study.

	• Do we prescribe placement of key information (e.g. front page)? • Do we prescribe design format (e.g. in a box?)	• Feedback from consumer panel indicated that this information should be up top and the page folded such that this information is at first glance when opening the bill. • Need to consider utilities that bill for other services such as water and preserving space on the front page for billing for multiple services. • Could prescribe that key information should be prominently displayed the front page, but not prescribe a specific location. • LDCs should be given design flexibility.

Development of Proposed Regulatory Framework: Line Items

Theme	Questions	Thinking Informed by Stakeholder Feedback
Line Items	Changing the prescribed names of line items: • Amend the current line item names? • Remove or amend placement requirements (i.e. order they must appear on the invoice) • Amend the current cost components of the existing line items? (e.g. fixed vs. variable or reduce number of line items by combining cost components)	• Maintain existing line items names and cost components • Remove some constraints that prevent bill issuers from adding additional information outside of the prescribed items.

Development of Proposed Regulatory Framework: Definitions & Messaging

Theme	Questions	Thinking Informed by Stakeholder Feedback
Definitions	• Do we prescribe a glossary of terms?	• Yes • Consumer panel expressed a desire for standardization of bills in order to have a consistent experience across the province. • Feedback from RAP working group varied on whether definitions should be standardized or customizable.
	• Do we change the current definitions?	• Yes • Agreement that current definitions are confusing and could be simplified. • Do not have feedback on what definitions would be better – to be tested in quantitative study.
	• Do we prescribe placement and/or frequency of the glossary on or with the bill?	• Yes – prescribe that definitions must be on the bill or accompany the bill a minimum of once/twice per year but provide flexibility to bill issuers to determine when and how to provide this information on a regular basis.
Messaging	Amend requirements for government messaging on the bill a. Reduce the messaging that should be prescribed? What level of prescription - specific wording/ frequency of messaging?	• Require dynamic messaging for Fair Hydro savings – by January 1, 2017.

Foundational Research & Work

Behavioural Research

- Working with BEworks, Hydro One sought to change the conversation with its customers by improving its customers' understanding. Using behavioural science, they sought to better understand the consumer mindset and leverage these insights to recommend improvements based on a solid foundation of research.
- **A behavioural audit of the bill identified the following sources of customer confusion:**
  - Lack of transparency: Small, dense text, difficult to understand charges and drives customer mistrust.
  - Information overload: Key information is not easily found.
  - Consumption information confusing
  - High level of numerical detail: Obscures rates and perception of usage.
  - Unclear/overly technical language: leads to confusion
  - Delivery charges not well explained: Consumers are frustrated and confused about what they are paying for.
- Hydro One and BEworks held in-person research sessions and consulted with the OEB and IESO. New invoices were developed and tested with consumers.

- **Feedback obtained from ~3,600 customers (60% Hydro One) reveal the new bills increase customer satisfaction, comprehension and attitudes towards Hydro One.**

Stakeholder & Consumer Consultations

RAP Working Group

- To build on Hydro One's experience and bring LDCs from around the province into the bill redesign conversation, the Ministry launched the RAP Working Group to solicit feedback on the current state of electricity invoicing in the province from the perspective of bill issuers.
- The working group consists of Hydro One, the Electricity Distributors Association (EDA), the Coalition of Large Distributors (CLD), additional LDCs/USMPs, the OEB and relevant industry associations.
- The working group has met four times since August, with each discussion focusing on a different theme: launch, design elements, technical aspects, and preliminary thoughts on areas to change.

Consumer Engagement

- The Ministry, in partnership with the OEB and IPSOS, conducted qualitative consumer research on bill redesign using the OEB's Consumer Pane, which consists of approximately 100 consumers from around Ontario.
- Consumers were asked to provide feedback on: Characteristics of a great bill, key information should be on the bill, current line items & definitions, and current breakdown of cost components.

RAP Working Group – Engagement Topics

- The Ministry has held three working group meetings to address three key components of the bill redesign challenge: design, technical, and regulatory.
  - RAP Working Group sessions provided an opportunity for the sector to engage with one another and inform the Ministry's bill redesign process.

Design Discussion

August 11th

- Session was held on August 11th and attended by approximately 14 LDCs/USMPs, as well as sector representatives.
- Examined how the sector can design a bill that is of real value to consumers by taking their needs and preferences into account.

Technical Discussion

August 31st

- Session was held on August 31st. Discussion probed the technical side of billing, including IT and billing system vendor requirements.
- Examined the technical challenges of undertaking a bill redesign through different bill change scenarios.

Regulatory Discussion

October 16

- Session was held on October 16. Ministry presented preliminary thinking around a regulatory framework.
- Examined opportunity to implement dynamic messaging by January 2018 while putting in place a framework that supported a re-designed bill for Jan 2019.

RAP Working Group – Participant List

Alectra Utilities	Lakefront Utilities Inc.
Bluewater Power Distribution Corp.	London Hydro Ltd.
Burlington Hydro Inc.	Newmarket-Tay Power Distribution Ltd.
Cornerstone Hydro Electric Concepts (CHEC)	Niagara Peninsula Energy Inc.
Electricity Distributors Association (EDA)	Northern Ontario Wires
Enercare Connections Inc.	Ontario Energy Association (OEA)
Guelph Hydro Electricity Systems Inc.	Ontario Energy Board (OEB)
Hydro One	Thunder Bay Hydro
Hydro Ottawa	Toronto Hydro
Independent Electricity System Operator (IESO)	Veridian Connections Inc.