

LRC Tracking #: REG-11953
EVista Tracking #: SUB-REG-2018-00621

Ministry of Energy

Bill Redesign – Amendments to O. Reg. 275/04
Regulation

Profile at a Glance

Priority: Key to Commitment

Public Interest: Moderate

Key Stakeholder Interest: High

New Costs/Burdens No for Stakeholders; No for Government

New Savings/Opportunities: No for Stakeholders; No for Government

Proposed Items for Review

1. Amending Ontario Regulation 275/04 made under the *Ontario Energy Board Act, 1998* (OEBA) (Information on Invoices to Certain Classes of Consumers of Electricity)
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Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy	N/A	July 26, 2017
TB/MBC	N/A	N/A

 Deputy Minister

 Date

 Minister

 Date

s 1. Proposal Context

- Local Distribution Companies (LDCs) and Unit Sub Meter Providers (USMPs) are subject to requirements, prescribed in O. Reg. 275/04, regarding the form of and the information contained in the electricity invoices that they issue to their consumers.
- The Ministry of Energy (ENERGY) has heard from LDCs and USMPs that the current regulatory requirements do not allow them to design a bill that meets the needs of their specific customer-base.
- On July 26, 2017, Cabinet approved initiatives to be implemented in the 2017 Long Term Energy Plan (LTEP) and directed ENERGY to convene a working group on bill redesign and introduce regulatory amendments to simplify bill presentment.
- In the 2017 LTEP released on October 26, 2017, ENERGY committed to redesign electricity bills to make them more understandable and to give consumers the information that they want on the bill.
- As a first step ENERGY moved forward with regulatory changes, effective January 1, 2018, that require electricity vendors to provide customer-specific Ontario Fair Hydro Plan (OFHP) savings on their invoices by no later than March 31, 2018. This requirement replaces the previous static OFHP on-bill message.
- Informed by consumer research undertaken in late 2017, as well as behavioural research undertaken by Hydro One as part of its bill redesign initiative, ENERGY is proposing to amend O. Reg. 275/04 to, if approved, provide persons who issue invoices (including LDCs, electricity retailers and USMPs, collectively, “Invoice Issuers”) with flexibility that would enable, but not require, them to move forward on bill redesign initiatives. ENERGY is also proposing amendments to clean up the regulation as certain provisions and references are now spent.
- ENERGY will propose further consequential amendments to O. Reg. 429/04 (Adjustments under Section 25.33 of the Act) made under the *Electricity Act*, 1998 and O. Reg. 389/10 (General) made under the *Energy Consumer Protection Act, 2010* at a future LRC.

s 2. Approach and Intended Outcomes

Increased Flexibility

- The qualitative and quantitative research suggested that consumers are not interested in major changes to their electricity bills, but that there are areas for improvement. Accordingly, the Ministry proposes to amend O. Reg. 275/04 to, if approved, provide Invoice Issuers with increased flexibility to design bills that are tailored to different customer needs on a timeline that best suits each individual Invoice Issuer.
- Invoice Issuers who are ready to move forward with a more comprehensive bill redesign, would have increased latitude to implement some of their desired changes in the near term. Consumer feedback on the redesigned bills could be useful for the Ministry in pursuing a full redesign for all Invoice Issuers in the future.
- The Ministry is proposing amendments to O. Reg. 275/04 that would, if approved:
 - Remove the restrictions regarding the placement of the definitions of line items on invoices in a glossary of terms. This would provide Invoice Issuers with increased flexibility on placement of the definitions.
 - Allow the Minister to approve alternative definitions for Invoice Issuers upon written request.
 - Remove the requirement that Invoice Issuers include the heading “Your Electricity Charges” on invoices
 - Remove restrictions limiting the information permitted on the bill to only that prescribed. This would provide flexibility to Invoice Issuers to provide relevant information that is tailored to different customer needs.

Cleanup

- ENERGY is proposing to clean up the regulation to remove provisions and references that are spent or no longer required.
- Specifically, ENERGY proposes to amend O. Reg. 275/04 to, if approved:
 - Remove provisions that require electricity bills to include the Debt Retirement Charge (DRC) as a line item, as well as remove associated references to the DRC to align with the removal of the charge for electricity consumed after April 1, 2018. This would include removing the DRC definition.
 - Clean up the components that comprise the “regulatory” charge that appears on electricity invoices to remove (i) references to the Ontario Electricity Support Program (OESP), which is now funded by the Consolidated Revenue Fund, and (ii) references to Conservation and Renewable Energy Programs (s. 26.1 of the OEBA) as the regulation

authorizing the recovery for those amounts (O. Reg. 66/10 made under the OEBA) is now spent. This would include corresponding amendments to the “regulatory” charge definition.

- Remove the exemption for invoices issued by Hydro One Inc. in connection with its bill redesign pilot initiative.
- If approved, the proposed date for the regulatory amendments to come into effect would be April 1, 2018 (except the proposed amendment relating to Hydro One exemption above, which, if approved, would come into effect on September 30, 2018). This would align with section 85 (4) of the *Electricity Act, 1998* (EA), that states that “every user shall pay to the Financial Corporation a debt retirement charge in respect of the amount of electricity consumed in Ontario before April 1, 2018”. The DRC is no longer payable on electricity consumed after April 1, 2018. Invoices issued after April 1, 2018, that no longer include any DRC charges would not require the heading DRC to appear on the invoice. If approved, Invoice Issuers would have until September 30, 2018 to comply with all requirements under O. Reg. 275/04.

Consequential Amendments

- If approved, proposed amendments to O. Reg. 275/04 would necessitate consequential amendments to O. Reg. 429/04 (Adjustments under Section 25.33 of the Act) made under the *Electricity Act, 1998* and O. Reg. 389/10 (General) made under the *Energy Consumer Protection Act, 2010* that would be brought forward in future.

s. 3 Direction and Urgency

- On July 26, 2017, Cabinet directed ENERGY to prepare a 2017 LTEP with an objective of improving value and performance for consumers.
- In the 2017 LTEP, released on October 26, 2017, ENERGY committed to redesign electricity bills to make them more understandable and to give consumers the information that they want on the bill.
- Accordingly, ENERGY is proposing regulatory amendments that would, if approved, provide flexibility to Invoice Issuers to design electricity bills that meet the needs of their customers as well as amendments that would clean up the regulation by removing provisions and references that are no longer applicable.
- A number of LDCs have already undertaken a significant amount of effort to re-design their invoices. Without the increased flexibility provided by the

proposed amendments to O. Reg. 275/04, those invoice re-designs would not be able to move forward.

- Additionally, if approved, one of the proposed amendments would remove the requirement for electricity bills to include the DRC as a line item, as well as remove associated references to the DRC.
 - Per section 85(4) of the EA, consumers will no longer be required to pay the DRC for electricity consumed after April 1, 2018. Without amending O. Reg. 275/04, Invoice Issuers would continue to be required to display DRC as line item on invoices.
 - To align with the date on which the DRC is no longer payable, the Ministry is proposing that the proposed amendments, if approved, come into force on April 1, 2018. Invoice issuers would have until September 30, 2018 to comply with all requirements under O. Reg. 275/04.
 - This would remove any confusion with respect to having a line item on electricity bills for a charge that is no longer payable.

s. 4 Impact Assessment and Costs

- The cost impact of complying with the removal of the DRC line is not expected to exceed an Invoice Issuer's average cost of maintaining and operating a customer information system for the purpose of issuing invoices.
- However, it is possible, that there could be some incidental one-time capital costs for some Invoice Issuers, associated with removing the DRC line item from invoices. A conservative estimate of that cost, in nominal dollars, for 80 impacted Invoice Issuers is \$40,000 (an average of \$500 per impacted stakeholder).
 - Invoice Issuers are required to make changes to their CIS systems periodically throughout the year and costs associated with implementing periodic changes are included in annual operating budgets.
 - Costs associated for Invoice Issuers to make adjustments to their CIS system to remove the DRC line item include, but are not limited to, coding requirements and regression testing. Those types of costs are part of an Invoice Issuer's operation budget are generally incurred anytime there are changes made to the CIS.
 - Aligning the removal of the DRC line item to one of the times Invoice Issuers are already making changes to the CIS (May rate change) would significantly limit the cost impacts, as any necessary testing would have

been already planned for and could reasonable be considered part regular operations.

- Some Invoice Issuers have indicated they cannot identify specific incremental cost associated with the proposed DRC changes, while other Invoice Issuers indicated that the proposed changes could result in a ~\$500 one-time cost to implement.
- The proposed amendments to provide Invoice Issuers with increased flexibility over design elements of invoices, if approved, would not impose any regulatory compliance requirements or costs.
- Invoice Issuers would be free to undertake internal cost benefit analysis with respect to implementing a significant redesign of invoices and determine the appropriate pace and scope of change.
- The exact costs would be different for each Invoice Issuer depending on the current capabilities of their billing systems.
- There would be no impact to government as a result of the proposed amendments.
 - There are no administrative costs associated with the proposed amendments to O. Reg. 275/04 and as such, there are no off-set requirements associated with this proposal.
- A RIA was completed and reviewed by the Regulatory Centre of Excellence (RCoE). RCoE's input was incorporated into our analysis.

s. 5 **Implementation**

- Invoice Issuers would be responsible for implementing the proposed changes (if approved). ENERGY proposes that the proposed amendments would come into force on April 1, 2018, but transitional provisions have been included, which would, if approved, provide Invoice Issuers with opportunity to implement the changes as soon as it is practicable but no later than September 30, 2018.

s. 6 **Delivery and Results Tracking**

- The proposed amendments would, if approved, allow those Invoice Issuers who are interested and ready to undertake a comprehensive bill redesign to do so.
- ENERGY would continue to liaise with the LDC and USMP] community to monitor which Invoice Issuers are moving forward with a bill redesign and what

feedback they are receiving from their customers. This consumer feedback could be useful for ENERGY to consider whether it would be appropriate to pursue a full redesign at the provincial level in the future.

s.7 Stakeholder Consultations

Working Group

- ENERGY held a series of Working Group sessions with LDC stakeholders to seek advice from industry on the development of new invoicing requirements. This included a session to discuss the proposal for customer specific dynamic messaging of OFHP savings on the bill.
- Working group sessions were held on August 11, 2017; August 31, 2017, October 16, 2017 & March 6, 2018.
- ENERGY considered feedback from the Working Group sessions when developing the regulation, including implementation timelines.

Regulatory Registry

- On November 6, 2017, ENERGY posted a proposal on the Regulatory Registry to provide stakeholders with the opportunity to comment.
- The Ministry received nine sets of comments through the posting.
 - The following LDCs sent individual or joint comments: Whitby Hydro, Toronto Hydro, Hydro Ottawa, Veridian, London Hydro, Alectra.
 - Comments were also received from the Electricity Distributors Association (EDA), the Ontario Energy Association (OEA) and Cornerstone Hydro Electric Concepts Association (CHEC) representing the interests of LDCs
 - Comments were received from the Low-Income Energy Network (LIEN) representing the interests of low-income consumers.
 - Comments were received from Enercare representing the interests of USMPs.

Consumer Research

- In September, 2017, ENERGY partnered with the Ontario Energy Board Consumer Panel to conduct qualitative consumer research with approximately 100 consumers throughout the Province to seek feedback on consumers' understanding of the bill and what kinds of information they wanted to see on the bill.

- To follow up on the qualitative research findings, ENERGY partnered with Ipsos to undertake a quantitative research study that surveyed 1006 residential consumers in Ontario and 201 small business consumers.
- The research suggested that consumers are not interested in major changes to their electricity bills but that there are areas that could be improved to help with their understanding.

s.8 Other Jurisdictions and Harmonization

- The proposed changes do not harmonize Ontario rules with other jurisdictions and are not comparable to other Canadian jurisdictions.

s. 9 Communications

See Appendix A: Communications Snapshot

s. 10 Contacts and Appendices

	Name	Phone Number
Ministry Policy/Program	Carolyn Calwell	5-6544
Ministry Legal	Maud Murray	2-8392
Ministry Communications	John Whytock	7-6541
Assistant or Deputy Minister's Office	Jeet Chatterjee	7-7025
Cabinet Office Policy	Tim Hindmarch-Watson	5-4618

Appendices

Appendix A: Communications Snapshot
Appendix B: Regulation Comparison Chart
Appendix C: Proposed Regulation