Ontario

LEGISLATION AND REGULATIONS COMMITTEE
BRIEFING NOTE

Energy
Draft based on draft materials- Electricity Bill Re-Design

LRC	CAB	Effective
March 26, 2018	March 26, 2018	April 1, 2018 and September 30, 2018

Summary of Proposal

The following proposal is consistent with current government direction.

Context for Decision:

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.

In the 2017 LTEP released on October 26, 2017, the ministry 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 the ministry moved forward with regulatory changes, effective January 1, 2018, that require LDCs to provide customer-specific Ontario Fair Hydro Plan (OFHP) savings on their invoices by no later than March 31, 2018.

Proposal:

To further implement the electricity bill redesign committed to in the 2017 LTEP the ministry is proposing amendments to O. Reg. 275/04 to increase flexibility and compliance options for LDCs and USMPs and to clean up the regulation to remove provisions and references that are spent or no longer required, such as the debt retirement charge (DRC). If approved, the amendments would come into effect April 1, 2018, but transitional rules would permit the requirements to be phased in by September 30, 2018. An exemption in respect of Hydro One would be eliminated as of September, 30, 2018.

Why does Ontario need these changes? Why now?

The ministry 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. In addition, a number of LDCs have already undertaken a significant amount of effort to re-design their invoices, and 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.

The timing of the amendments would also 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 for consumption periods entirely after April 1, 2018, that no longer include any DRC charges, would not require the DRC heading to appear on the invoice. The transitional rules, and DRC-specific invoicing requirements in O. Reg. 494/01 s.8 would apply to invoices issued after April 1, 2018 for electricity consumption prior to that date where DRC was payable (i.e. not residential).

How will this proposal impact Ontario?

The proposed amendments to provide LDCs and USMPs with increased flexibility over design elements of invoices, if approved, would not impose any regulatory compliance requirements. 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. The proposed removal of the DRC as a specified line item that appears on all invoices issued to low-volume customers, the removal of the definition of the DRC from the glossary of term, and the clean-up of the regulatory definition, if approved, would be the only proposed amendments that requires LDCs and USMPs to alter their billing systems.

These changes are not anticipated to be technically challenging requirements to implement and LDCs and USMPs would be provided with up to six months to comply with the proposed changes to enable them to implement them on a cost-effective basis and to align with planned updates to their CIS systems. It is estimated that the proposal will not result in any administrative costs to businesses and that compliance will, in the case of some invoice issuers, mean one-time costs of approximately $500 to implement for a total of conservative estimate of $40,000 across 80 LDCs and USMPs. The ministry will post its estimate of administrative and compliance costs publicly when posting the regulation.

What is the expected cost to government?

The ministry advises that there would be no impact to government as a result of the proposed amendments.

What are the key steps to deliver this proposal?

- April 1, 2018 – If approved, the amended regulation comes into effect.
- LDCs and USMPs responsible for removing spent provisions on invoices going forward and would have greater flexibility to provide information on invoices other than those required by the regulation.
- September 30, 2018 – LDCs and USMPs required to implement the changes no later than this date.

How will the changes be communicated?

The ministry is recommending a low profile communications approach with proactive notice to stakeholders and reactive responses to media enquiries.

Terms you need to know

- **Local Distribution Companies (LDCs) –** Local electricity utilities, responsible for distributing power from transmission lines to people's homes (e.g., Hydro Ottawa, Toronto Hydro, etc.) LDCs recover their costs through distribution rates. LDCs are licensed to serve a specific geographic area by the Ontario Energy Board (OEB). An LDC must receive Ontario Energy Board approval to charge a distribution rate.

- **Ontario Energy Board (OEB) –** A quasi-judicial administrative tribunal that is also Crown Agency responsible for regulating Ontario's electricity and natural gas sectors in the public interest. Implements an open and transparent process to allow for stakeholders to participate proceedings and formal stakeholder consultations.

- **Unit sub-meter providers (USMPs) –** Privately owned companies that provide metering services to multi-unit residential buildings so that individual unit residents can be billed for electricity based on their individual consumption levels.

- **Debt Retirement Charge (DRC) –** The Ontario Electricity Financial Corporation (OEFC) is one of five successor companies established under the *Electricity Act, 1988*, as part of the restructuring of the former Ontario Hydro. The OEFC s mandate includes servicing and retiring debt and liabilities arising from the former Ontario Hydro ($38.1 billion as at April 1, 1999). Of the $38.1 billion, $20.9 billion was determined to be "stranded debt" -- the debt and liabilities not supported by the value of the other successor companies of Ontario Hydro resulting from the restructuring of the Ontario electricity sector in 1999. Under the *Electricity Act, 1998*, OEFC receives dedicated revenues, including payments-in-lieu of taxes, the Gross Revenue Charge, and the DRC to help it service and pay down its debt and other liabilities, including the stranded debt. Amendments made in 2015 specified that the DRC ends on April 1, 2018 (previously, it was authorised until the residual stranded debt was retired). The DRC on most consumption was set at 0.7 cents per kilowatt-hour of electricity consumed; residential consumers have been exempted from paying DRC since January 1, 2016.

Commented [HT1]: What is the current status of the stranded debt?

Cabinet Office Analysis

This proposal is consistent with current government direction.

Introduction:

To further implement the electricity bill redesign committed to in the 2017 LTEP the ministry is proposing amendments to O. Reg. 275/04 to:

Increase Flexibility:

- Remove the restrictions regarding the placement of the definitions of line items on invoices in a glossary of terms. This would provide LDCs and USMPs with increased flexibility on placement of the definitions.
- Allow the Minister to approve alternative definitions for LDCs and USMPs upon written request.
- Remove restrictions limiting the information permitted on the bill to only that prescribed. This would provide flexibility to LDCs and USMPs to provide relevant information that is tailored to different customer needs.

Cleanup:

- 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 Ontario Energy Board Act (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.

Consequential Amendments:

If approved, the 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. The ministry advises that the misalignment between these regulations is minor and is not anticipated to cause any significant issues or confusion for LDCs and USMPs. To ensure there is clarity in the sector on the requirements, the ministry will work with LDCs and USMPs to ensure there is no confusion with respect to billing requirements.

Commented [HT2]: Energy: Please confirm. How substantive would the drafting requirements be for these regulations? Could this not be done for April 16 LRC to avoid the need to do this clean-up later and any confusion?

Linkages:

- *LTEP* – Ontario released the 2017 LTEP on October 26, 2017. The LTEP identifies needs for investments over the shorter term, while broadly mapping out the direction of the sector over a 20 year timeframe. The LTEP is intended to balance the principles of affordability, reliability, clean energy, community and Indigenous engagement, as well as conservation and demand management. The LTEP specifically called for bills to be clearer and more understandable. This proposal is part of the fulfillment of this commitment.

- *Hydro One Networks Inc. Bill Pilot* – In November, 2017, Hydro One introduced a redesigned electricity invoice that was developed after extensive consumer research and has been observed to increase customer satisfaction and comprehension.

- *Bill Redesign Project* – Through the 2017 Long Term Energy Plan consultation process, the Ministry heard that consumers find their current bills confusing and inaccessible. To address this, the Ministry is working with industry and consumers to redesign electricity bills to make them easier for customers to understand and ensure they get the most useful information out of their bills. This proposal is the culmination of this work; however, the Ministry will review over time how LDCs and USMPs make use of the increased flexibility over invoicing design to assess if the proposed amendments, if passed, facilitate the objective of providing customers with better bills.

Delivery:

LDCs and USMPs would be responsible for implementing the proposed changes. ENERGY proposes that the proposed amendments would come into force on April 1, 2018. Transitional provisions have been included to provide LDCs with opportunity to implement the changes as soon as it is practicable but no later than September 30, 2018.

Stakeholder response:

The ministry held a series of Working Group sessions with LDC and USMP stakeholders to seek advice from industry on the development of new invoicing requirements. Working group sessions were held on August 11, 2017; August 31, 2017, October 16, 2017 & March 6, 2018. The ministry considered feedback from the Working Group sessions when developing the regulation, including implementation timelines.

- LDCs and USMPs – **Positive** – LDCs and USMPs are anticipated to be generally supportive of the proposal as it cleans up requirements for spent provisions on the bill, which frees up space, and provides greater flexibility for companies to tailor on bill messaging to take into account their unique customer needs.

- Ontario Energy Board – **Neutral** – the OEB is not anticipated to have any position on the proposed changes.

- General public – **Neutral to Positive** – LDCs know their customer-base best and are well-positioned to know what changes are best suited to meet their customer needs, as well as the appropriate timing to roll-out changes to invoices. Hydro One has received very positive feedback on its bill re-design from its customer base.

Risks:

Commented [HT3]: Has CLB confirmed the assessment?

LDC Capacity

The current changes are in addition to previous changes that were to be implemented no later than March 31, 2018 unless an extension was granted. At the time of the pervious changes there was some concern that not all LDCs would be ready by the March 31, 2018 deadline, which was why the alternative compliance pathway was developed. The proposed removal of the DRC as a specified line item that appears on all invoices issued to low-volume customers, the removal of the definition of the DRC from the glossary of term, and the clean-up of the regulatory definition, if approved, would be the only proposed amendment that requires LDCs and USMPs to alter their billing systems and this is not anticipated to be technically challenging requirements. LDCs and USMPs would be provided with up to six months to comply with the proposed changes to enable them to implement them on a cost-effective basis. The other changes are voluntary and individual LDCs and USMPs will need to determine what other changes they may want to make to better serve their customers over the longer term and within their normal businesses processes.